

OVERSEAS NEWS

WORKERS PLAN TO DEMONSTRATE TODAY OUTSIDE CAR GROUP'S PARIS HQ

Peugeot combatants dig in as strike continues

By William Dawkins in Paris

MORE than 1,000 striking Peugeot workers and union officials plan to demonstrate this morning outside the car group's Paris headquarters, in the worst industrial dispute to hit Europe's third largest car maker for five years.

The demonstrators, from Peugeot's two biggest car assembly plants in Sochaux and Mulhouse, north-east France, will be calling on Mr Jacques Calvet, group chairman, for negotiations over a wage claim which the company's management reckons is worth around 30 per cent, unacceptably high.

Both sides seemed intransigent at the weekend in the bitter 13-day-old dispute. Unions have called for the resignation of Mr Calvet. He has coolly replied that most staff still support his aim of trimming costs and investing heavily to fulfil his plan of lifting PSA, the group which owns Peugeot and Citroen, from Europe's third largest car company to its first.

A former president of Banque Nationale de Paris, he joined Peugeot in 1984 and instituted a tough job- and cost-cutting plan to save the group from near collapse. The upshot is seen by many as an

outstanding success, but on the way, it caused riots outside Peugeot's plant in Poissy, near Paris. So he is hardly likely to be rattled this time.

The dispute has already begun to take political significance, drawing a stern warning from Mr Roger Fauroux, industry minister, in the week-end press, that "there is everything to fear from an uncontrolled growth in salaries". He added: "That would be dangerous. Everybody would lose, including the workers."

It could hardly have come at a worse time for Peugeot, in the week when it unveiled at the Frankfurt motor show its long-awaited, top-of-the-range 605, the volume car producer's first serious attempt to challenge BMW and Mercedes in the executive car market.

By the end of last week, Sochaux production centre for the 605, had nearly closed, leaving Peugeot with a stock of just 4,000 of the new models. It is just enough to satisfy the first orders, due for delivery early next month, but with the prospect of an embarrassing gap after that, say industry experts.

Peugeot management reckons that so far, the Sochaux

plant is 4,000 cars behind schedule - including 605s and other models - while the Mulhouse plant has lost 10,000 units, mostly the popular 205.

Only a minority of staff are officially on strike in both plants, up to 2,000 out of the 12,000 at Mulhouse, not counting non-striking sympathisers, and perhaps half that among the 24,000 employed at Sochaux, according to management. Union estimates are much higher.

Whatever the actual number, Peugeot executives ruefully point out that the impact they have made illustrates the risks of using Japanese-inspired just-in-time stock controls, where inventories are kept to almost nothing, so that a hold-up in one department has an immediate effect all the way down the rest of the production line.

Analysts reckon Peugeot is efficient enough to make up any shortfall in market share fast. Even so, this comes after an August when Peugeot lost 7.7 percentage points, representing 4,800 vehicles, of its French market share - down to 19.7 per cent according to the industry's latest returns - because its production was



Calvet: in response to demands for his resignation he retorts that most staff still back his plan to trim costs

unable to cope with demand. This month's decline in VAT on French cars, from 28 per cent to 25 per cent, offered a chance to make good, now jeopardised.

Yesterday evening, both sides seemed no nearer to agreement than when the conflict started. What is so surprising is that industrial relations in Alsace, the home of both plants, are reputed to be placid. It is a prosperous area, near the West German border, where unemployment is among the lowest in France.

Mr Calvet estimates that the current year's offers are worth on average 4.4 per cent, including performance bonuses, indi-

vidual rise and other benefits. The unions reply that this is inadequate reward for their part in turning Peugeot from a disaster five years ago, when it lost FF124bn (£33m), into one of the big contributors to the current success of Europe's motor industry, able to report a FF18.85bn net profit last year.

Moreover, they have for long felt uneasy about being paid generally less than their colleagues at state-owned Renault. The sacrifice was just about possible to stomach when Peugeot was in trouble in the early 1980s, but much less so now, when the group is well into recovery.

Rome warns of BNL impact on delicate ties with Iraq

By Alan Friedman in Milan

ITALY'S Foreign Minister, Mr Gianni De Michelis, has warned that the scandal over billions of dollars of unauthorised Iraqi export credits extended by the Atlanta, Georgia, branch of Banca Nazionale del Lavoro (BNL) risks complicating Rome's bilateral rapport with Baghdad.

Mr Gianni De Michelis, in his first statement on the BNL affair, said the banking scandal had added "a new and thorny dossier" to Italy's delicate relations with Iraq. He said that economic ties between would be examined before the year-end by a joint commission.

Iraq is insisting that BNL's Atlanta branch, which has already disbursed \$1.85bn of Iraqi export credits out of a total of \$3bn committed, hand over the remaining promised funds. These are \$550m of unused credits that were confirmed and a further \$600m-plus of unconfirmed credits.

Concern has been growing in banking circles and among Italian government officials that Baghdad might make the payment of a total of up to \$4m of outstanding debt owed to Italian companies conditional on the receipt of the \$1.15bn of unused and Atlanta-generated BNL credits.

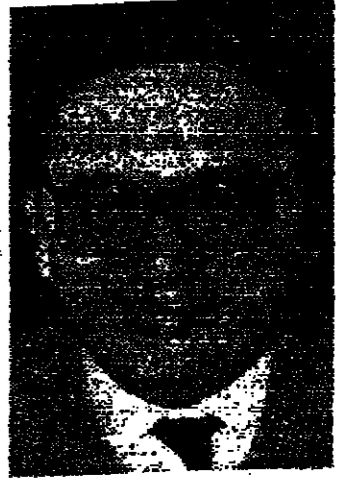
Mr De Michelis did not make any direct reference to Iraq's

demands that BNL pay out the remaining money, stressing instead the need "to find a constructive solution". He did, however, add rather opaquely that "at the same time we [Italy] should not be transformed into the instrument of Middle East initiatives about which we already have precise policies."

The BNL affair took on a more domestic political complexion with several leading Socialist and Christian Democrat politicians opposing the suggestion by Mr Guido Carli, the Treasury minister, that BNL and other state banks should be privatised.

Lobbyists for Italian big industry have been using the BNL affair as a lever to push through privatisation plans that would see individual companies buying stakes in banks pressed ahead with the campaign to allow private sector capital to buy into state banks.

Mr Cesare Romiti, Fiat's chief executive, said that Italy's banks, having been less exposed to international com-

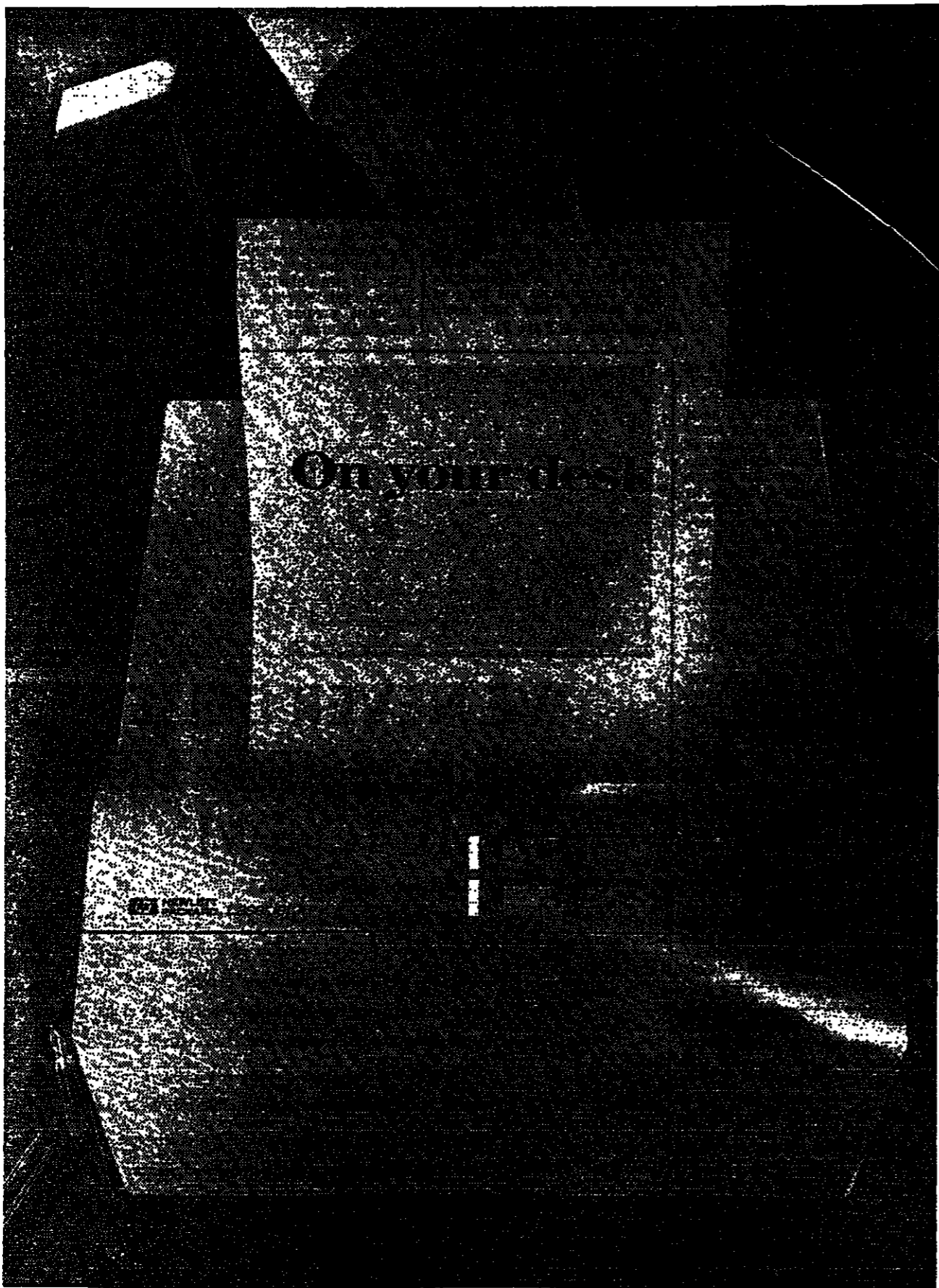


Gianni De Michelis

petition than industry, were less efficient and the BNL affair was an example of this lack of internal controls and efficiency.

Mr Mario Monti, another Fiat board director, a prominent economist and vice president of the state-owned Banca Commerciale Italiana, repeated his views that industry should be allowed to buy into banks. Mr Monti suggested that a group of industrial concerns, each owning up to 20 per cent of a bank, might take joint control of banks.

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THE POSSIBILITY MADE REALITY

Peace hopes for Angola in balance

African leaders meet again today to revive hopes of peace in Angola, but the man who holds the key to an agreement has said he probably will not turn up, Reuters reports from Harare.

Dr Jonas Savimbi of Unita said at his rebel headquarters in south-east Angola that his movement was likely to stay away from the one-day summit in Kinshasa, Zaire.

Diplomats say he is under heavy pressure to attend from his main backers, the US and South Africa, and may have to swallow his pride and come.

A ceasefire sealed by Dr Savimbi and President Jose Eduardo dos Santos of Angola on June 22 collapsed, leading to renewed fighting. The Angolan goal is to get Dr Savimbi to sign a political agreement and plan for monitoring a ceasefire.

France sends aid to Caribbean

The French Government is sending food, medicine, medical equipment and temporary housing to the eastern Caribbean island of Guadeloupe, hit by a strong hurricane at the weekend, *Caribbean Times* writes from Barbados.

Officials on the neighbouring French island of Martinique say communications and power supplies on Guadeloupe have been disrupted by the storm, hundreds of buildings left without roofs and about 3,000 people made homeless.

Winds close to the eye of the storm, named Hugo, have been measured at 140 miles per hour. Several islands in the northeastern Caribbean have been affected by the winds and heavy rain which have destroyed sea defences and caused flooding.

Hurricane Hugo was moving just west of north west through the archipelago last night and is expected to hit Puerto Rico later today.

Sri Lanka talks offer to rebels

The Sri Lankan Government, after the island's worst week of violence in months, yesterday offered Sinhalese rebels security and protection if they would join a peace conference.

Reacting to a week when 350 people were killed and 200 buildings set on fire, the Government said it was eager to ensure the participation in an all-party conference of the People's Liberation Front (JVP) and all other groups outside mainstream politics.

SHIPPING REPORT Demand for tankers lifts rates

By Nick Garnett GENERAL demand for tankers improved last week and in some cases resulted in modest improvements in rate levels, according to Galbraith's, the ship brokers.

Trade in and around the Arabian Gulf was particularly buoyant. Even though rates edged upwards, charterers were still able to get business at below Worldscale 50.

The Far East showed a slight premium for the smaller sized VLCCs (very large crude carriers). Japanese charterers paid about Worldscale 53.

Tanker owners operating from the Mediterranean raised their rates last week.

A typical voyage from the east Mediterranean to the US was in excess of Worldscale 50, with some owners asking just below Worldscale 60.

West Africa was an exception with rates falling last week. This was because many ships ballasted to this area when the market was buoyant a few weeks ago.

Most charterers took business at below last week's rates, with Worldscale 72.5 being paid for a 130,000-ton vessel to the US.

However, demand out of West Africa did improve a little according to shipbrokers EA Gibson. Owners of large product carriers experienced a mixed week, the company said.

Rates for the dry cargo market fell last week, according to Galbraith's. It says, however, that the opinion of the market is that this will not last long.

In the Atlantic time-charter market, rates were down to about \$11,000 per day for good Panamax types, with some ships willing to accept under \$10,500 a day.

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OVERSEAS NEWS

Nationalism shakes foundations of Communists' empire

Quentin Peel looks ahead to tomorrow's Central Committee meeting in Moscow on the structure of the Soviet Union

SUMMERTIME has been a field day for the forecasters of doom in the Soviet Union. Nationalists have been taking to the streets on every side, in ever larger numbers, openly demanding outright secession from the Soviet Union in the Baltic republics, in Moldavia, Georgia, Armenia and most recently in the Shia Muslim stronghold of Azerbaijan.

Perhaps more ominous still, the mass miners' strike in July signalled the start of an spreading working-class rebellion, predominantly Russian, but drawing support from all sides, demanding simultaneously both more radical reforms - and fewer of them.



Estonians protesting last month at the 1939 German-Soviet pact which gave Moscow control of Estonia, Latvia and Lithuania.

through a Central Committee which still has a conservative majority, which will not be the most important test tomorrow.

worthy document, for once attempting to analyse the background in reasonably realistic terms, believing previous policy prescriptions have been ambiguous and uninspired.

Ukrainians march in support of church

By A Correspondent in Moscow

NEARLY 100,000 people marched yesterday through the Ukrainian city of Lvov, demanding that Moscow reinstate the banned Ukrainian unite - or Catholic - church on the 40th anniversary of the occupation of the western Ukraine.

The demonstration was the latest in a series of rallies on the eve of a vital central committee plenum which the Communist Party hopes will "harmonise" the country's increasingly bitter inter-ethnic relations.

The Supreme Soviet in the republic of Azerbaijan on Saturday convened a special session, calling on Moscow to repeal the "special status" of Nagorno-Karabakh, the small enclave where an Armenian majority lived under Azerbaijan's jurisdiction until Moscow imposed military rule on the region in January.

Armenia was last night expected to reject the Azerbaijani demand, saying the Azerbaijanis would keep discriminating against Armenians if the Russians pulled out.

Much of the recent wave of activity has arisen from the pressure of Mr Gorbachev's own reform program. The Azerbaijani party organisation is desperate to regain its prestige before local elections in the spring.

However, other groups seem outraged by the Soviet Union's apparent increasing ungovernability.

On Saturday, several thousand Ukrainian conservatives gathered in Kiev's central stadium to press fellow citizens to take an "internationalist" approach to ethnic tension.

Washington's ways impress the visitors from Moscow

By Nancy Dunne in Washington

SOVIET political reformers quickly concluded a three-week US visit in Washington last week. Little noticed as the glare of the media spotlight focused on Mr Boris Yeltsin, the former Moscow party leader.

Three delegates from the USSR Supreme Soviet, given responsibility to design rules, parliamentary procedures, committee and staff work and organs of government, enthusiastically lauded the virtues of American governmental institutions and said they had found much they want to adopt for the Soviet system.

Mr Konstantin Lubchenko, head of the six-member delegation, introduced himself as one "of the first generation of Soviet congressmen" and commended the current Soviet reform process with early American history.

the electors in their election district," he said. Ironically, one of the institutions which most impressed him was one which in recent years has lost its lustre in the eyes of many in Congress - the filibuster, frequently used to kill progressive legislation.

Mr Lubchenko proclaimed this "a guarantee against the dictatorship of the majority". Anticipating their hosts with reverence to God, "ridiculous, parasitic system," the delegates talked - stopping occasionally to argue points among themselves - about the need to establish a system of free market competition and "to turn our politics to the area of morals and human or Christian values".

While clearly impressed with American institutions, Mr Nikolai Fyodorov said Americans had taken their form of government from the best systems around the world, and now seemed to have developed a "superiority complex". If they didn't study events in the Soviet Union, Japan and Western Europe, the US might fall behind, he said.

The delegates mostly marvelled over what they saw. Mr Lubchenko said they would seek to buy American technology to set the kind of electronic voting system they saw in Congress to speed the process and allow the introduction of amendments.

They said many of their misapprehensions about the US had been set straight. Supreme Court Justice Antonin Scalia rejected an assertion by the chairman of the Soviet Supreme Court that the jury system was going out of use in the US. "When we return, we will aim to establish jury trials," said Mr Fyodorov.

The trip sponsored in the US by the International Foundation, a US philanthropic group, is just the first of several fact-finding missions. The group plans to continue its studies in the UK and other Western democracies.

US-Soviet talks may settle date for summit

By Lionel Barber in Washington

THE US and Soviet Union resume high-level talks today on arms control, human rights and regional issues. They may result in an agreement on a date for a summit between President George Bush and President Mikhail Gorbachev.

At Moscow's request, Mr Bush is due to meet Mr Eduard Shevardnadze, the Soviet Foreign Minister, in the Oval Office on Thursday. US officials have been warned that Mr Shevardnadze will bring an important letter from Mr Gorbachev, but the Soviets have so far declined to provide details.

The Bush administration expects the week's meetings to produce an outline accord on exchange of information on chemical weapons and plans for mutual inspection of chemical arms plants. Officials also hope to agree in principle on monitoring underground nuclear tests of less than 150 kilotons.

These agreements are likely to be concluded later this week when working groups move from Washington to Jackson Hole, Wyoming, where Mr James Baker, US Secretary of State, has a ranch. Mr Baker plans to mix barbecues and fishing with discussions on issues ranging from strategic arms to Afghanistan, Nicaragua, narcotics, environmental and other "transnational" issues.

The superpower talks come amid rapid - and highly unpredictable - change in the Soviet Union and Eastern Europe. Mr Lawrence Eagleburger, deputy US Secretary of State, last week said that despite its risks, the Cold War was characterised by stability and predictability among the great powers, and warned of "the danger that change in the East will prove too destabilising to be sustained".

The US has been noticeably restrained in its commentary both on the upheavals in the Soviet Baltic and the Caucasus, and on the recent flow of East German refugees from Hungary to the West.

Trucks block Austria-Italy roads

By John Wyles in Rome

NO GOODS traffic is expected to move by road between Italy and Austria today, because of the failure of a political agreement between the two countries to appease Italian truck drivers and transport companies.

They were adamant at the weekend that the dispute would move into its second week tomorrow. They are counting on a growing commercial paralysis giving them the upper hand with both governments.

An estimated 15,000 trucks are now blocking the northbound autostrada approach to the Brenner Pass. Other customs posts are similarly closed to goods traffic, and the protesters are preventing the entry of

Austrian trucks into Italy. Northbound tourist traffic across the border has been reduced to an agonising crawl. Many Austrians returning home reported taking four hours for the final 30 miles to the border post.

It is still far from clear why the dispute suddenly erupted last week. Some Italian newspapers see it as a deliberate strike by big Italian transport companies and small owner-operators against Austrian transport policy.

This is becoming increasingly environment-conscious, to the extent that driving of heavy trucks between 10pm and 5am is to be outlawed from December 1. The Italian drivers are demanding the abolition of this restriction, together with

an additional 30,000-40,000 transit permits above the 225,000 allocated to Italy this year. A meeting between Austrian and Italian transport ministers on Friday offered few concessions to the truck operators. Austria agreed to release the remaining 31,000 transit permits still outstanding for this year and hinted that it might make a few more available if Italy was seen to make determined efforts to switch traffic from road to rail.

The Austrians want a considerable strengthening of the Verona-Munich rail service, which transports goods trailers on special trains. Unfortunately, the Italian state railway has neither the rolling stock nor the special engines needed to play its part.

Portugal plans privatisation law

By Patrick Blum in Lisbon

THE Portuguese government will present a new privatisation law to parliament this autumn to speed its sale of state assets.

Announcing the move, Mr Anibal Cavaco Silva, the Prime Minister, said the re-privatisation programme was vital for improving the efficiency and competitiveness of the Portuguese economy.

However, restrictions imposed on foreign acquisitions of privatised shares would be maintained. At the moment, this limits foreign

holdings in privatised companies to 10 per cent. It is not clear whether the new law will raise or lower the limit.

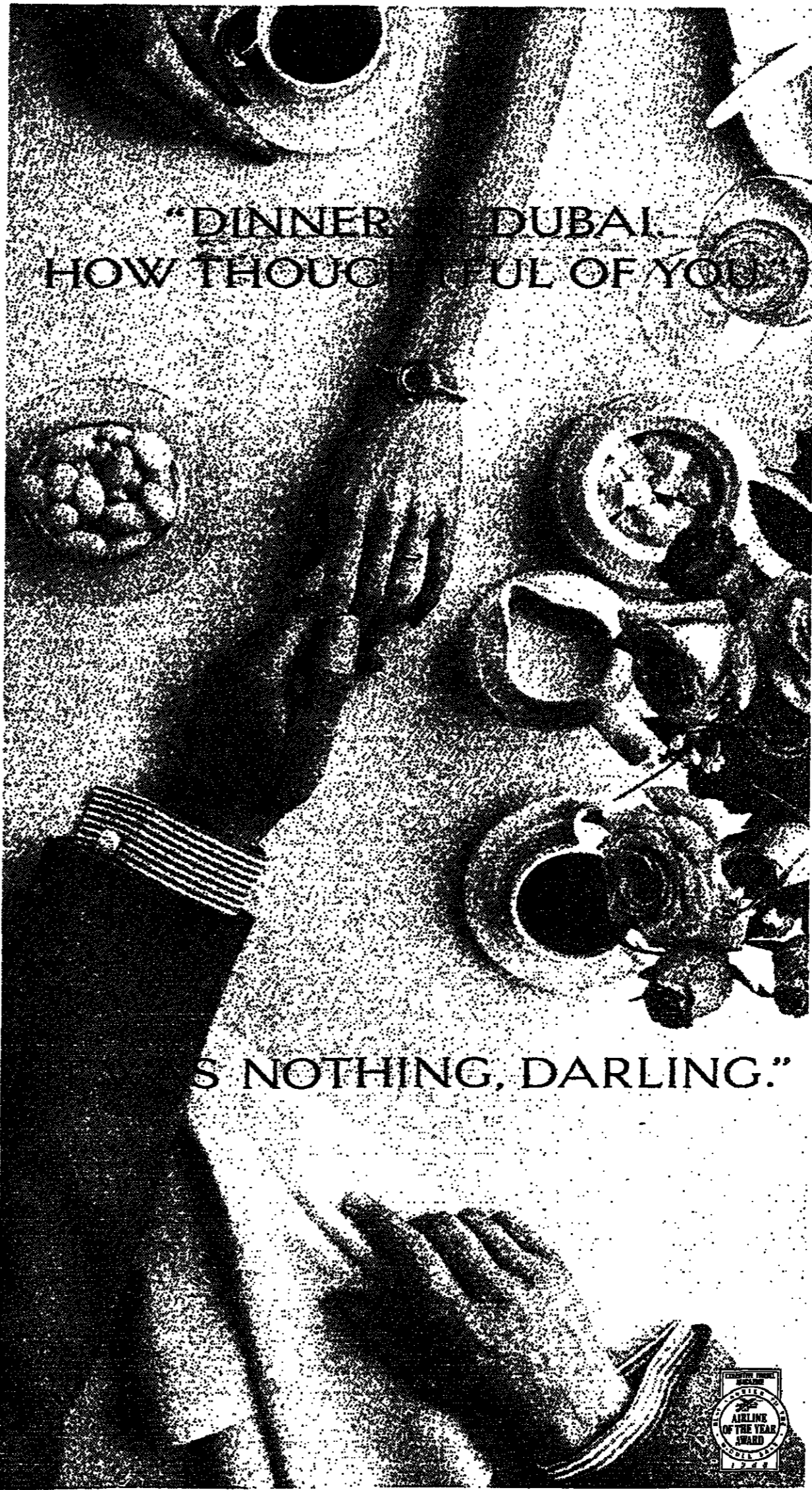
Mr Cavaco Silva said the law would have the "flexibility" to enable, for the first time, compensation certificates - issued to former owners after 1975's sweeping nationalisations - to be used in the privatisation process.

The government argued it was not responsible for the nationalisations in the first place. Instead, it offered low-interest bonds based on a gov-

ernment valuation of seized assets which ex-shareholders say wildly underestimated their real worth.

De-nationalisation began in earnest this year with the sale of 49 per cent of Unicef, a brewer, and of Banco Totta e Acores.

International demand for privatised Portuguese shares has considerably exceeded supply. The recent rapid growth of direct foreign investment in Portugal has brought calls from the opposition for tighter controls.



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OVERSEAS NEWS

Viljoen to oversee constitutional reform

By Patti Waldmeir in Johannesburg

SOUTH Africa's President, Mr F.W. de Klerk, has appointed a close political ally and moderate to the cabinet post responsible for constitutional reform. However, the announcement at the weekend that Mr Gerrit Viljoen, formerly minister for black education, would be minister of constitutional development was the only important shift in the composition of the new President's Cabinet, in which most senior ministers were confirmed in their posts. Mr Viljoen will lead the Government's efforts to engage black leaders in negotiations aimed at agreeing

a new constitution. A former academic with degrees in classics and law, he was previously head of the Afrikaner secret society, the *Broederbond*, and is viewed as a moderate. The remarkable decision last week by Mr de Klerk to allow peaceful protest, legalising two of the largest protest marches in the country's history, is believed to be part of the process of reaching out to black leaders. However, the choice of the new Cabinet gave no clear indication of any accelerated commitment to political reform on

the part of Mr de Klerk. He will begin his term of office this week with a Cabinet whose most prominent members served in the same positions under his predecessor, Mr P.W. Botha. Mr Pk Botha continues as Minister of Foreign Affairs, where he is expected to exert considerable influence over the new President. The Minister of Law and Order, Mr Adriaan Vlok, who has come under severe criticism over allegations of police brutality, also continues in his post, as do the ministers of

finance, defence and justice. In an apparent attempt to widen his political base, Mr de Klerk has appointed two English-speakers to the cabinet, but in relatively junior positions. The appointments come after a big protest vote from English speakers in the general elections on September 6. Mr Kent Durr is minister for trade, industry and tourism, and Mr George Bartlett is minister of transport. Mr Wim de Villiers, former chairman of Gencor, becomes Minister for Administration and Privatisation.



Viljoen: reaching out to black leaders

UK minister begins Hong Kong talks

By Michael Murray in Hong Kong

MR Francis Maude, the British Foreign Office minister with special responsibility for Hong Kong, last night started a three-day fact-finding mission in the colony. Right of abode in the UK for Hong Kong citizens, development of democracy in the territory and the Vietnamese boat people are likely to figure high on the agenda. Mr Maude, who replaced Lord Glenarthur in Mrs Margaret Thatcher's July reshuffle, said that 100 days after the Chinese massacre both the Hong Kong and UK governments - and above all the Chinese Government - needed to restore confidence locally.

Mr Maude noted that official talks between Britain and Peking would resume next week, with the meeting in London of the joint liaison group. He said that though these talks would not be held in public "Hong Kong should know that its interests will be put forward robustly in private". The joint liaison group meeting promises to be stormy following criticism of Britain by China after Mr Barrie Wiggham, a Hong Kong Government official, gave a speech addressing issues within the basic law, including the need to station People's Liberation Army troops in Hong Kong.

Carter in Nicaragua on fact-finding election mission

By Tim Coone in Managua

FORMER US President Jimmy Carter arrived in Nicaragua on the weekend on a fact-finding mission into Nicaragua's electoral process. General elections are to be held next February, and Mr Carter has been invited by both the government and opposition to be an official observer at these crucial polls and the electoral campaigns leading up to voting day. Although Mr Carter has no official US backing for his mission, his viewpoint on the elections will carry weight in the US and could prove decisive in the future course of relations between the two countries. The Nicaraguan government continues to refuse permission to official US government observers to attend the elections. However, President Daniel Ortega told Mr Carter such permission would be granted if the US suspended all aid to the Honduras-based Contras and instead used the funds to assist in the rebels' demobilisation. "The best signal the US can make that it is supporting the electoral process in Nicaragua is to cease its support for the Contras," he said. Last month, the five Central American presidents agreed on a demobilisation timetable for the Contras which has so far not received the support of the US. Under the plan, the Contras should be disbanded by the beginning of December and their repatriation or relocation

in third countries organised by the UN and the International Red Cross. The US suspended military aid to the rebels in 1985, but under an existing Congressional aid package will continue providing them with "humanitarian aid" until February next year. Attacks by the Contras continue to cause a steady stream of casualties in the Nicaraguan mountains. Election observer groups from the UN and the Organisation of American States (OAS) have meanwhile already established offices in Managua and in cities in the interior. Observer teams from the European parliament are due to arrive later this year, as are representatives from the US-based Centre for Democracy, a non-governmental organisation which observed the Philippines elections in 1986. Mr Carter, who is the director of the Council of Freely Elected Heads of Government, was an observer at the Panamanian elections last May, which he denounced as a "fraud". The fact that both the government and opposition in Nicaragua view him as an honest and impartial observer, lends additional weight to his assessment of the electoral process. After this initial fact-finding mission, Mr Carter will return to Nicaragua in December with a team of 20 observers to monitor the closing stages of the election campaign.

Beirut battle slackens after ceasefire call

By Lara Marlowe in Beirut

THE Arab League peace plan which called on Saturday for "an immediate and comprehensive ceasefire" in Lebanon received a warm international welcome over the weekend, even if it was not fully respected in Beirut. It does not appear to differ substantially from earlier pleas for ceasefires, all of which have been ignored. Only the setting of a date - September 30 - for the meeting of the Lebanese parliament at an unspecified location distinguishes it. But this time, the Arab League committee has insisted, all parties to the conflict are

willing to co-operate. Prince Saud yesterday met Mr Hafez al-Assad, the Syrian President, in Damascus to deliver a letter from King Fahd. The communiqué by the league's "troika" of Algeria, Morocco and Saudi Arabia was carefully neutral. Neither the presence of 40,000 Syrian troops in Lebanon - a taboo subject for Damascus - nor the need for reform of Lebanon's political system (which Gen Michel Aoun, the Maronite Christian leader, refuses to discuss before a Syrian withdrawal) was mentioned. It is believed here that both issues have been addressed in

preliminary negotiations led by French and Soviet envoys. The communiqué issued in Jeddah was, it appears, merely part of a hidden agenda. Yesterday France welcomed the Arab plan and said it fully supported the proposed meeting of Lebanon's parliament. The White House also greeted the plan as a step towards reconciliation. Gen Aoun withheld comment. According to reports in the Beirut press, Damascus has agreed to lift its blockade of Christian Lebanese ports on condition that political reforms follow soon after a ceasefire.

Algerian PM picks Cabinet

By Michael Murray in Algiers

THE new Algerian Premier, Mr Mouloud Hamrouche, has mainly appointed Western-oriented technocrats to his first government, many of whom are reformers, AP reports from Algiers. Mr Hamrouche, named to his job a week ago by President Chadli Bendjedid, picked Sid Ahmed Ghozali, former head of Sonatrach, the oil and gas monopoly, as Foreign Minister. President Bendjedid's announcement a week ago that Premier Kasbi Merbah had been dismissed for opposing his reform programme led briefly to a constitutional crisis.

Confusion over Soviet convoy in Afghanistan

By Christina Lamb in Islamabad

CONTROVERSY continues over the whereabouts of a huge Soviet military hardware which entered Afghanistan from Tughundil on the western border three weeks ago. The 1300-vehicle convoy is the largest Moscow has sent since their troops withdrew in February. During its journey to relieve the besieged city of Kandahar it came under heavy Mujahideen attack and was forced off the highway and on to a track through the desert last week. "The Kabul regime claims the convoy has reached Kandahar. However Mujahideen and western diplomatic sources in Islamabad say that only light vehicles made it across the desert to fight their way into the city from the south, and the main part is still 90 miles away in Lashkar Gar in neighbouring Helmand province. Troops have been put on alert in the volatile Farkhatain town in Herat where a gun battle in which at least three people were killed and 20 injured. Police failed to disperse the rioters from rival ethnic groups using tear gas and opened fire. Eye witnesses said several shops and houses had been set ablaze and both sides had taken hostages. Hyderabad, in the troubled southern province of Sindh, is the scene of frequent ethnic violence between Sindhis and Mohajirs, migrants from India. It is often under curfew. Last September 200 people were killed when masked gunmen on rooftops and motor-bikes sprayed the streets with bullets.

NZ minister sees era of prosperity

By Dal Heyward

NEW ZEALAND is poised to begin a new period of prosperity in 1990 as benefits of the wide-ranging economic and financial reforms of the past five years come to fruition, according to Mr David Caygill, the Finance Minister. Speaking at a London conference to mark the beginning of the 1990 celebrations of 150 years of European settlement, Mr Caygill predicted a new era of growing prosperity throughout the 1990s. He listed a number of factors to support this view. Inflation is down from 18 per cent to 4 per cent. The Government's financial deficit has been cut from 7 per cent of Gross Domestic Product when the Labour government took office in 1984 to 1.5 per cent this year and Mr Caygill says he intends to produce a surplus in the next financial year. The current account this year has shown surplus for the first time in 15 years. Overseas debt and corresponding interest payments have been reduced and government borrowing brought under control. In addition, the removal of restrictive financial and industrial regulations, and reform of the tax system all brought widespread improvements to the farming, manufacturing and financial sectors. The changes had not been without cost but were recognised in New Zealand as necessary to rid the country of the "fortress mentality" developed during the 1970s and to make it internationally competitive, Mr Caygill said. "After two years of recession the economy is picking up as the benefits of restructuring take effect. Exports are booming, the balance of payments is in surplus and the Government has reduced its claim on private sector savings by drastic pruning of its deficit," he said. "Cash from asset sales enabled us to reduce our debt and the proportion of the Government's budget needed to service that debt. A reformed tax system means business and individuals are making investment decisions on the basis of economic returns rather than for tax concessions. A more efficient public sector is giving the taxpayer better value for money along with improved services." Speaking outside the conference, Mr Caygill said government targets for reform now included improved working standards in the docks, electricity generation and distribution, improved efficiency and cost structuring of town halls, and continuing efforts to make government departments more efficient and businesslike. The Government is also planning to overhaul securities legislation, modernise business law and update building controls. New Zealand's agricultural sector was already showing the benefits of the restructuring which took away all farm subsidies and price support schemes. New Zealand did not pursue trade liberalisation to set the world an example but because it was in its domestic interest, he added.

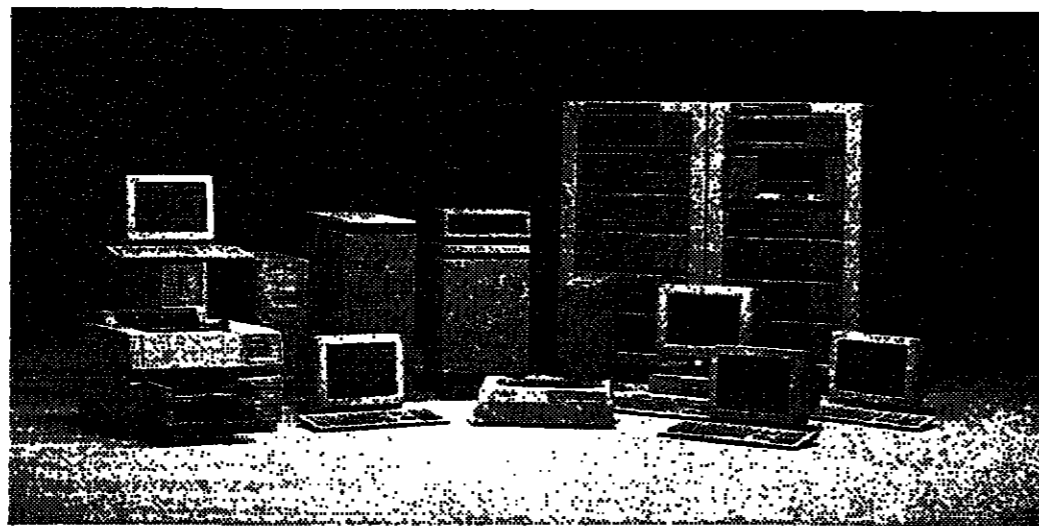
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WORLD ECONOMIC INDICATORS
INDUSTRIAL PRODUCTION (1985 = 100)

	July '89	June '89	May '89	July '88	% change over previous year
US	113.6	114.3	114.5	111.5	+2.7
W. Germany	113.8	111.1	108.8	104.8	+8.4
Japan	118.8	121.2	118.8	111.9	+8.1
UK	108.0	107.9	109.2	110.1	-1.8
Italy	113.4	115.1	115.9	113.1	+3.2
France	113.4	112.9	113.2	108.8	+4.2
Netherlands	103.3	104.2	104.1	101.4	+7.9

OVERSEAS NEWS

Brussels presses telecom reforms to give EC more competitive tone

The Commission wants Europe to promote advanced services so that the region can keep pace with world rivals, Hugo Dixon reports

OTHERS ARE "training themselves, getting fit in their own markets. The risk is that the whole world market will be taken by global [telecom] service providers which are not 'Europeans,'" according to Mr Herbert Ungerer, the European Commission official who has spearheaded its campaign to open up the telecommunications sector.

The fear that Europe will miss out on an important new market for advanced telecom services is one of the reasons the Commission has been pushing member states to liberalise telecoms.

Another reason is that services such as data banks, private networks and electronic trading are seen as an essential weapon in the armoury European industry will need to stay competitive in world markets.

Red tape and artificially high costs have stifled the development of these services in most of Europe, compared with the US, the Commission says.

The market for data communications services is less than 10 per cent of the Ecu 75bn (£51bn) spent on all telecoms services in the Community each year.

Even though it is growing at about 25 per cent a year, the bulk of this activity takes place



in the UK, which has already liberalised its markets.

The Commission's plan was discussed last week at an informal meeting of the Community's telecoms ministers at Antibes in the South of France. Of the big five nations, only West Germany and the UK were in favour.

The others, led by France, were against the plan on the grounds that it would undermine the position of their publicly-owned telephone monopolies.

The ministers have offered to negotiate a compromise with the Commission, but it seems unlikely that the Commission will back down from its current intention, which is to push through deregulation unilaterally on April 1, 1990 if the member states fail to agree before then.

The plan is aimed at freeing up the market for data communications, where the monopoly held by the public telephone operators (PTOs) is felt to have the most important effect in stifling new services.

PTOs would be allowed to continue their monopoly over the basic phone service.

Data services fall into two main categories: basic and value-added services.

The dividing line is rather fuzzy but the central idea is

works to third parties - an approach that brings many of the advantages of private networks but not the inconvenience of having to manage and maintain them.

In the UK, where the price of leasing private circuits is roughly in line with costs, and there is comparatively little red tape, private networks have proliferated.

Racal Electronics, for example, last year won a £300m contract to supply much of the Government's data communications needs over the next 10 years.

The UK's total spending each year on inland private circuits is over £800m, which is thought to be nearly as much as the rest of Europe put together.

Elsewhere, the price of leasing lines has been kept artificially high in order to deter the development of private networks.

The worst offenders are West Germany, Spain and Italy, where prices are often more than four times costs and can even be more than 10 times costs, according to Ovum, a London-based consultancy.

Private networking on the Continent is also made difficult by restrictions on what businesses can do with their leased circuits. The restrictions vary

from country to country, but the main ones stop companies:

- Selling spare capacity to third parties;
- Linking suppliers and customers to the same network;
- Connecting private networks to the public network.

These restrictions have made private networking so unattractive that most companies have been forced to stick with the services offered by PTOs.

They have also deterred the growth of value-added services, which are usually offered through private networks.

The importance of value-added services is that they speed up commercial transactions and eliminate errors by a combination of telecommunications and computer technologies.

Designing products, getting access to information, ordering components, invoicing customers and paying for goods can

all be done electronically, instead of pushing pieces of paper.

This market is still in its early stages. The financial services and travel industries have had access to on-line data bases for several years.

But more sophisticated value-added services such as electronic data interchange, which allows companies to swap orders and invoices, have only just started.

Most have been pioneered in the US by companies such as EDS, the General Motors subsidiary, IBM, General Electric and Tymnet, which was recently acquired by British Telecom.

Since the UK value-added services market was liberalised in the early 1980s, British companies such as Istel, the former subsidiary of the Rover car group, and Racal Electronics have entered the market, and US companies have spread their operations to the UK.

But companies complain of the frustrations of building pan-European networks. EDS, for example, says that in many countries it is not allowed to offer value-added services to different customers over the same network.

In some countries, it has got round this problem by setting up separate networks for each

customer; in others, it has been given an exemption to the rules but only provided it pays the PTO a surcharge, which can amount to 25 per cent.

"This is increasing our costs and putting us at a competitive disadvantage to the PTOs," says Mr John Wishney, EDS's European telecommunications chief.

The Commission's plan is to sweep away the restrictions on data communications, in the expectation that new competitors and new services will develop.

The governments opposing it, however, say that such a move will mean that traffic is diverted off their PTOs' networks, leaving them with unproductive businesses.

This is a particular concern to such nations as Greece and Portugal, where the main priority is to build a decent basic phone service rather than promote imaginative new services.

The French, on the other hand, argue that it is possible for state-owned monopoly to promote the growth of value-added services, pointing to the success of France's Minitel videotex service.

The counter-argument put by the British and Germans is that everybody, including the established PTOs, benefits from competition because it

expands the market.

For example, in the four years since BT was privatised, its annual revenues have grown 50 per cent to £11bn and pre-tax profits have shot up 70 per cent to £2.5bn.

The opponents of liberalisation are prepared to see competition in the market for value-added services, but want to be allowed to maintain a monopoly over basic data communications.

The advocates of liberalisation say this would neuter the reforms, because basic data is a much larger market and there are fears that PTOs could exploit the fuzzy dividing line between basic and value-added data to prevent competition.

There seems no quick way of breaking this deadlock because the positions of the protagonists are so entrenched.

The Commission's intention of taking unilateral action could achieve liberalisation in name, but it is doubtful that this would be implemented with vigour in those countries which oppose the policy.

In the long run, however, the balance of forces may change if large telecoms users can make their influence felt.

They are in favour of cutting the red tape but so far have largely been kept out of the debate.

Norway's opposition bid for government

NORWAY'S three centre-right opposition parties will today try to form a government to replace the election-battered ruling Labour Party, Reuters reports from Oslo.

But policy differences, a sceptical public and dependence on a right-wing maverick they all execrate, mean the parties face a difficult and uphill task in their joint talks.

The Labour Party, under the leadership of Prime Minister Gro Harlem Brundtland, suffered its worst setback since 1930 in last Monday's national election, ending up with 68 seats, just one more than the perennially squabbling opposition.

Even if they reach agreement, the three parties need the support of the radical Progress Party for a majority in the 165-seat parliament.

The party's charismatic leader, Mr Carl Hagen, cashed

in on high taxes, disillusionment with record unemployment and problems in the welfare system to win 22 seats and the balance of power.

But all three parties have refused to include Mr Hagen in their talks. They say he is unreliable and that his anti-tax, anti-immigration policies break with Norway's traditions of consensus politics and social democracy.

In return, Mr Hagen will not guarantee them his support unless they include him in their government, but has said he will probably help vote Mrs Brundtland out of office when Parliament reconvenes in October.

"The non-socialist parties will try to co-operate, they will fail and Brundtland will keep power," the conservative business daily Dagens Naeringsliv predicted in an editorial last week.

"I believe the centre-right has a 50-50 chance of success," said Dr Henry Valen, a political scientist at Oslo University. "But such a government would not last long."

The opposition differences have allowed Mrs Brundtland to rule virtually unchallenged with a minority government since 1986 - a fact that hardly inspired voters in the September 11 election.

But Mr Jan Syse, the Conservative leader, is optimistic about his current round of talks with counterparts in the Centre Party and Christian People's Party.

"We have to do what we have promised - negotiate on how to give the country a new government," he said. "It is my clear aim and belief that these negotiations will be successful."

Walesa accepts invitation to S Korea

By Maggie Ford in Seoul

Mr Lech Walesa, the Polish Solidarity leader, is to visit newly democratising South Korea in December at the invitation of one of its opposition leaders.

Mr Kim Young Sam's Reunification Democratic party announced at the weekend that the invitation to Mr Walesa was part of the party's efforts to promote South Korea's relations with the Eastern bloc.

Mr Kim recently held a meeting in Moscow with Mr Ho Dam, a leader from communist North Korea, in collaboration with the Soviet authorities.

It is also possible that Mr Walesa will be seeking technical know-how from the South Koreans as part of efforts to rebuild Poland's ravaged economy. Over the past week, Mr

Walesa has been telling workers that the newly-formed Government needs firm support for its economic programmes.

Mr Walesa's visit may provide an opportunity for South Korea to establish formal diplomatic relations with Poland, which has already set up a trade mission in Seoul.

Seoul's "norpolitik" policy has so far only resulted in establishing diplomatic relations with Hungary.

Two Soviet envoys, including Mr Georgy Arbatov, an advisor to Mr Mikhail Gorbachev, stressed in Seoul last week that economic relations between Moscow and Seoul would be welcome but that the establishment of diplomatic relations were premature.

Communist North Korea, angered by Hungary's decision to recognise the South, has

downgraded the level of its representation in Budapest.

● Meanwhile, Mr Donald Gregg, the new US ambassador to South Korea, has arrived in the country to prepare for the visit this week by Mr Dan Quayle, the US Vice President.

Mr Gregg's appointment to Seoul was held up by questions in the US Congress over his role in the Iran Contra affair. The US has not had an ambassador in Seoul for almost 11 months.

Mr Quayle will see President Roh Tae Woo, along with opposition leaders and cabinet ministers and will pay a visit to the demilitarised zone which divides the two Koreas. More than 40,000 US troops have been stationed in the South since the Korean war ended in 1953.

Talks for reviving cocoa agreement end in failure

By David Blackwell

TALKS AIMED at reviving the moribund international cocoa agreement ended in failure in London early on Saturday morning.

After a week of discussions which had raised some optimism, delegates from producing and consuming countries at the International Cocoa Organisation found it impossible to reconcile their differences.

By late Friday, a package had been put together which would have lowered the price range the agreement was trying to defend, cut the levy on the import and export of cocoa from \$30 to \$5 a tonne, and put \$30m in the organisation's kitty to finance the next market support measures - a withholding scheme designed

to take 120,000 tonnes off the world market.

However producers owe well over \$100m (£64.3m) in levies. Consumers were not prepared to see the organisation pay out money to producers who were operating the withholding scheme but were still in debt to the cocoa organisation.

It now appears unlikely that the cocoa agreement will survive beyond September next year, when it is due to expire.


The existing pact has been in effect frozen since February last year when purchases were completed for a 250,000-tonne buffer stock.

The existence of the buffer stock has done nothing to stop a slide in prices because the world market is glutted with cocoa.

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UK NEWS

Drug maker for sale three years after buy-out

By Andrew Baxter

EVANS HEALTHCARE, one of Europe's largest players in the fast-growing market for generic (unbranded) prescription medicines, has put itself up for sale.

The decision comes less than three years after Evans, based near Horsham, West Sussex, won its independence from Glaxo, the big UK pharmaceutical group, through a £27.5m management buy-out.

It is likely to create considerable interest as Evans has a strong position in the £200m UK generics drug market, and is one of the world's few remaining privately owned vaccine producers.

The company's 640 employees were told on Friday of the decision to seek a buyer. Evans has factories at Horsham, Speke, on Merseyside, and Bradford, and a distribution centre in Dunstable.

Evans, which over the past year has been receiving financial advice from First Boston, has asked the investment bank to invite potential purchasers to submit offers. Mr David Moffatt, Evans's managing director, said the company had received many approaches

since the buy-out, and interest had sharpened recently.

Partly because of that, Evans has decided to defer plans for a listing on the London Stock Exchange. Mr Moffatt said it would not be in anyone's interest to go through the expense of a public flotation if the company was to be taken over.

It has been known for some time within the industry that Evans's ownership position might change. Evans said at the time of the buy-out that it aimed to sell the company within two to four years. It is not clear what price Evans would command, but it is likely to be considerably higher than the buy-out sum, to reflect growth in sales and profits. In the year ended June 30, pre-tax profits before exceptional items rose from £1.94m to £2.65m.

However, Evans is unlikely to sell for the kind of multiples seen in recent bids for companies with a stronger base in original research.

The aim would be to link with a company with strong marketing in the EC and North America, and help the UK concern expand overseas.

Developers named for Bradford city scheme

By Hazel Duffy

BRADFORD council has appointed Leeds-based 3D Developments to carry out the £180m renewal scheme in the west end of the city. Some 7,000 full-time jobs will be created in the new centre there.

Arrowcroft, which was responsible for the restoration of the Albert Dock in Liverpool, was the other main contender for the Bradford development.

Mr Ronnie Farley, chairman of the Environment and Enterprise Committee of the council, said 3D's scheme showed vision and "will contribute to the revitalisation of Bradford." He added that the city was "establishing itself as the cultural capital of the north."

Tourism and leisure are the main features of the plans. They seek to make the Bradford centre distinct from other city renewal projects by capitalising on the cultures of its immigrant community.

The scheme revolves around a series of local and international pavilions, incorporating a conference and exhibition centre, speciality shopping, multi-screen cinema and a new arts centre.

Two-part Guinness trial sought

By Richard Waters

THE GUINNESS case returns to court today in the prelude to one - or possibly two - of the longest and most complex fraud trials ever held.

At a pre-trial hearing, the Serious Fraud Office will seek to have the trial divided into two. It believes that would make it easier for jury members to follow the complexities of the case - although critics claim the complexity is of the SFO's making, because of the large number of charges it has brought.

Mr Ernest Saunders, the former Guinness chief, who would be the only defendant common to both trials, faces 49 charges in all. He has complained bitterly about the prospect of being forced to endure two lengthy trials.

If accepted by Mr Justice Henry, a split trial will almost inevitably lead to a ban on reporting of the first, for fear of prejudging the jury in the second. The full trial, or trials, are due to begin in January.

The case arises from the handling of Guinness's £2.5bn takeover of drinks group Distillers, completed three and a half years ago.

Mr Saunders and the six other defendants are alleged to have organised an illicit operation to support Guinness's share price in the final days of the bid, helping its cash-and-shares offer to prevail over a rival bid from Argyll.

CHRONOLOGY

1985 December Argyll bids for Distillers.
1986 January Guinness bids for Distillers.
April 18 Guinness wins Distillers bid.
December 1 DTI launches investigation.
1987 January 9 Saunders steps down as chairman and chief executive (later sacked by board).
May 7 Saunders charged with three offences.
October 8 Sir Jack Lyons charged with nine offences.
October 13 Ronson charged with eight offences; Saunders with a further 37.
October 15 Seelig charged with 12 offences.
1988 March 10 Lord Spens charged.
March 25 Farnes returns to UK and is charged with 19 offences.
March 29 Court upholds Takeover Panel ruling that Guinness was involved in concert party for purchase of 10.6m Distillers shares.
April 6 SFO takes over Guinness case on its inauguration.
April 7 Mayhew arrested on three charges.

The charges centre on section 151 of the Companies Act, which forbids a company to use its own money to support its share price.

The case has struck at the heart of the country's financial community. Those arrested and charged have included Mr Roger Seelig, formerly corporate finance director at Morgan Grenfell and Mr David Mayhew, a leading partner at corporate brokers Cazenove. At the time they were two of the City's top corporate financiers.

If charges against the two were upheld, the shock waves would reverberate through the City - particularly at Cazenove, which has stood by Mr

Chairman of unit trust group resigns

By David Barchard

MR BILL STUTTAFORD has resigned as chairman of Framlington, the medium-sized unit trust group he helped to set up in the late 1980s.

His resignation came 17 months after Framlington fell prey to a £70m takeover bid by Throgmorton Trust.

That move was led by two of Mr Stuttaford's fellow directors on the Framlington board - Mr Peter Leach and Throgmorton chief executive Mr Bob Seabrook.

Mr Leach said yesterday that Mr Stuttaford had offered his resignation last week, giving a year's notice. He was however expected to remain on Framlington's board.

Mr Stuttaford's departure from Framlington marks the end of an era in the unit trust business, not least because of his stature as chairman of the Unit Trust Association until last year.

In recent weeks Mr Anthony Milford, another Framlington director, has also left the board, although he will remain in the company, and Mr Patrick Evershed, a director of one of the group's subsidiaries, was

asked to leave after a reorganisation of its private client department.

The departure of Mr Stuttaford and his Framlington colleagues will cause little surprise in the City. The takeover by Throgmorton in April last year was initially fiercely resisted by Mr Stuttaford.

Management differences between Throgmorton's investment Throgmorton Offshoot, Throgmorton Investment Management Services, which became part of Framlington in 1988, and Framlington were among the reasons prompting the takeover bid.

Five weeks ago, Throgmorton itself was taken by surprise at the resignation of Mr Seabrook, chief executive, who left on health grounds.

Soon afterwards it was disclosed that the Department of Trade and Industry was looking into share dealings by directors of edible oil manufacturer Acatos and Hutcheson, including Mr Seabrook.

However, Mr Seabrook continues to sit on Throgmorton's board, and the group says his resignation as chief executive was entirely unconnected with the DTI investigation.

Independent financial advice campaign boosted

By Eric Short

THE campaign to promote independent financial advice and independent financial advisers to the public was reenergized yesterday with the launch of a new marketing company called IFA Promotion.

It will take up the work initiated by the Campaign for Independent Financial Advice (Camifa), which now officially ends.

Under the "polarisation" requirements of the financial services legislation, intermediaries marketing life assurance, pensions and unit trust products must either be independent and deal with the whole market, or be the representatives of one sole company and deal only in the products of that company.

Company representatives can either be full-time employees of the company or simply be tied to the life company under a service agreement but trade under their own names. The latter are known as tied agents.

Several life companies, including most of the Scottish companies, which then relied entirely on independent intermediaries for their business, set up Camifa more than two

years ago. Its aim was to promote the cause of independent financial advisers and to highlight the difference between them and tied agents.

Such companies originally pledged to take business only from independent advisers. But the campaign was almost halted when big building societies decided to change their status from independent to tied.

IFA Promotion has two aims. First, it intends to revitalise the promotional message to the public about independent advice and advisers.

Second, it intends that the advisers themselves should ultimately take on the full responsibility for the company.

At present, IFA Promotion is sponsored by 22 life and unit trust companies which have guaranteed £5m to meet the first year's operating costs.

However, independent advisers will now have to pay an annual fee to join the company - basically £100 a firm plus £10 an individual other than the first.

Camifa had no independent financial advisory membership and was funded entirely by its life company members.

Bisley considers £2.25m extension to Gwent plant

By Anthony Moreton, Welsh Correspondent

BISLEY Office Equipment is considering a £2.25m extension to its new £8m plant in Newport, Gwent.

Mr Tony Brown, managing director and sole shareholder in the office-equipment concern, based in Bisley, Surrey, said: "It is all a matter of interest rates. If they start to come down, I hope we can double the size of our Newport operation starting next year."

The company employs 40 workers at the plant, where production started this month. Mr Brown expects the workforce to rise to 60 by the end of

the year and 110 by April. The extension should double the workforce to 220.

Bisley, a subsidiary of F. C. Brown (Steel Equipment), claims to be Britain's largest producer of steel storage cupboards and other containers for offices and third or fourth in the office supplies market.

Turnover last year was £23.75m and the company expects that to double by 1992.

Mr Brown said the plant would be one of the most modern office furniture factories in Europe, with the latest computer-controlled equipment.

OBITUARY

Lord Trafford: career as consultant and politician

LORD TRAFFORD, a Health Minister of State since the July reshuffle, died on Saturday from a virulent strain of lung cancer. He was 64.

His death will be seen as a setback to ministers' hopes to limit damage in the Lords to the forthcoming Health Bill, introducing the National Health Service reforms.

Lord Trafford was a former hospital consultant and an effective parliamentarian performer. His role was seen as crucial in steering the legislation through the upper house. The Government relied on his professional expertise in convincing cross-benchers of its case.

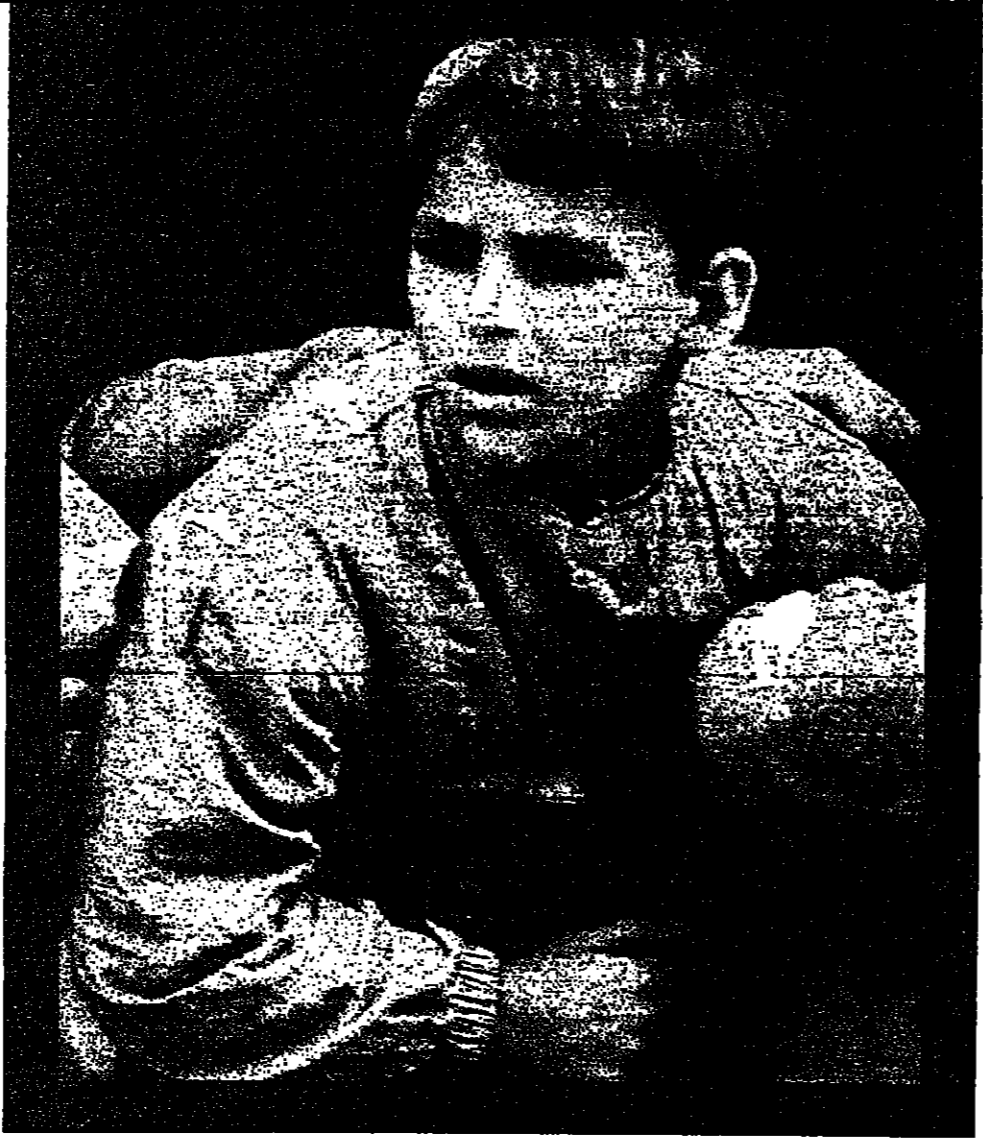
He was admitted to hospital in Brighton, where terminal

lung cancer was diagnosed, last Tuesday.

He was the Conservative MP for the Wrekin in the early 1970s before returning to medicine. He led the medical team that looked after the victims of the Brighton bombing in 1984.

Mrs Margaret Thatcher, the Prime Minister, said Lord Trafford had achieved a distinguished career in both politics and medicine, and that those who suffered in the Brighton bombing owed him an enormous debt of gratitude.

Mr Kenneth Clarke, the Health Secretary, said his death was a dreadful tragedy. A decision on his replacement is not expected until Mrs Thatcher returns from Japan on Saturday.



Turkey strongly protests Bulgarian oppression and calls upon all nations to condemn these inhuman acts.

Every day, hundreds are beaten on the streets, hundreds are taken away for questioning in the middle of the night, hundreds are arrested for no reason at all, and hundreds are forcefully driven from the lands they have lived for centuries, their children taken away from them, their properties confiscated.

These people are the ethnic Turkish minority in Bulgaria.

Turkey will accept every single one of these people in a proper time period, just as she did accept thousands of Kurdish refugees from Iraq and Iran. Turkey will give these people support to set up new lives just as she has done for the Jews running away from the Spanish Inquisition, the White Russians fleeing the Revolution.

Turkey has always been a country to welcome "the tired, the poor, the huddled masses".

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- TÜRKİYE İMAR BANKASI T.A.Ş.
- TÜRKİYE İŞ BANKASI A.Ş.
- SÜMERBANK HOLDİNG A.Ş.
- ŞEKERBANK T.A.Ş.
- TEKSTİLBANK
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UK NEWS

PM will press for entry to Tokyo Stock Exchange

By Philip Stephens, Political Editor

MRS Margaret Thatcher, the Prime Minister, will this week press the Japanese Government to take further steps to liberalise its domestic markets and to grant admission to the Tokyo Stock Exchange to two British investment companies.

Consumers spending less on furnishings

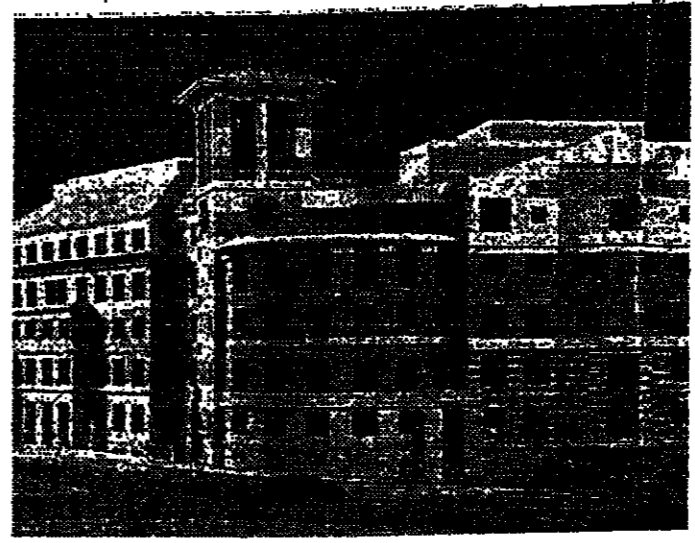
By Alice Rawsthorn

HIGHER interest rates are taking a toll on consumer spending on household goods, such as furniture and soft furnishings, according to a new study.

Building a better public image

Paul Cheeseright looks at the changing role of the architect

ARCHITECTS have never been so busy. The surge in commercial property building has seen to that.



Angel Square, N. London: the architect's intricate design was possible only because of the surge in property prices

The verbal battle has been joined between the merits of modernism and classicism. Architects argue among themselves; they argue with the Prince; they find themselves in the polemical front line.

If you look at the way developers used to instruct architects then, observed Mr Godfrey Bradman, chairman of Rosehaugh, responsible for some of the largest London office developments, "they would say 'get as much as possible on the site, see you at the toping out'; all the rest was just left. It might have taken five minutes."

Call to toughen guarantee code

By David Churchill, Leisure Industries Correspondent

THE National Consumer Council, the state-funded consumer watchdog, is expected today to renew its call for a wide-ranging statutory guarantee of consumer rights.

From this the OFT estimated that consumers spent £3.5bn on unsatisfactory cars and accessories and £346m on unsatisfactory household appliances.

The Government is still considering its position on statutory consumer guarantees, Mr Eric Forth, the consumer affairs minister, argues in an article published today. "Regulation is not always the best weapon for fighting the consumer interest," he says.

It was soon clear that Islington Council wanted something different, something ornate and detailed to complement the plain Bank of Scotland building next door. Rock Townsend, the Balfour Beatty development director, explained.

In that case, then, the architect, because of the attitude of the planners, was in a position of great influence. "They had a relatively free hand," Mr Brimfield said.

APPLICATION FORMS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (N), NEW CHANGE, LONDON, EC4M 9AA NOT LATER THAN 10.00 A.M. ON FRIDAY, 29TH SEPTEMBER 1989, OR AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON THURSDAY, 28TH SEPTEMBER 1989.

The London Connection Japan's Largest Database—Now in London Nihon Keizai Shimbun, Inc. (Nikkei) announces the September opening of its London System Centre.

UK NEWS

Industrialists see fal in export, domestic orders

By Terry Poyland

CONSIDERABLE uncertainty among British industrialists about future prospects is revealed by the latest monthly survey of industrial trends by the Confederation of British Industry, the employers' organisation.

The CBI survey for September shows that both home and export order books have continued to weaken in recent weeks and predicts that there will be a further growth in manufacturing output over the December quarter.

Mr David Wrigglesworth, chairman of the CBI's Economic Committee, commenting that the economy is clearly slowing in response to the high interest rate policies and other measures taken by Mr Nigel Lawson, the Chancellor of the Exchequer, says: "The Government will need to watch the situation carefully. The economic warning lights are flashing amber. We must take great care they do not turn to red."

However, the significance of last week's announcement of a sharp fall in the domestic annual inflation rate to 7.3 per cent in August will be highlighted by Mr Wrigglesworth's comment that the Retail Price Index has been influencing wage expectations, making it more difficult for British industry to contain unit labour costs.

The CBI's monthly trends enquiry based on replies to a

questionnaire sent to 1,411 UK companies, says that output expectations are at their lowest since January 1985. Order books continue to reflect the weakening in demand since last year, with 29 per cent of the survey regarding current order books as below normal. About 28 per cent saw their export order books in the same light.

A similar picture of slowing demand is also disclosed by the survey's conclusion that stocks of finished goods are still more than enough to meet current sales needs. Some 79 per cent of the firms surveyed regard their stocks of finished goods as adequate, or more than adequate, for present demand.

On output prospects, the balance of opinion reported by the survey has turned slightly negative for the first time for nearly seven years, although the overall prediction is that output is likely to remain broadly stable in the final quarter of this year. Only 20 per cent of those surveyed expect to increase output, and 21 per cent predict a decline.

Along with output and stocks expectations is the prediction by 64 per cent of participants that prices will remain unchanged. The CBI says that, with 21 per cent still expecting to raise prices, compared with 25 per cent in the August survey, price rises are likely to moderate.

Pressure on pay 'will remain for six months'

By Charles Leadbeater, Labour editor

PRESSURE for higher pay settlements will remain strong in Britain over the next six months despite last Friday's announcement that the annual rate of inflation fell to 7.2 per cent in August, a report published today says.

The report by Income Data Services, the leading independent pay research group, casts doubt on whether the fall in the annual inflation rate, from 8.2 per cent in July, will be enough to stall the momentum which built up during pay bargaining this summer.

The autumn and winter round of pay bargaining will start with a going rate of between 7.5 and 9 per cent, the report says.

Unit wage costs in manufacturing will soon deteriorate markedly, it warns.

The research group says there was a significant rise in settlements between January, when most bunched between 6 and 8 per cent and this summer, when most deals bunched between 7.5 and 9 per cent.

Its review of pay prospects for the coming year warns: "Pay settlements are likely to remain at this summer's levels through to the winter months, particularly if labour markets remain tight."

It continues: "This autumn will be the first opportunity for many groups of workers to gain increases to compensate for higher inflation over the past nine months and higher housing costs." It says that although the August 1988 rise in mortgage rates no longer show up in the annualised inflation figures, "this does not mean mortgage payers are suddenly better off."

IDS says that labour markets are likely to remain tight. Skill shortages will remain, despite slowing growth in output, as a result of the fall in the number of young people entering the labour market. Employers are becoming increasingly concerned that pay levels for graduates could jump before the 1992 single European market.

The rate of inflation is forecast to decline to about 7 per cent by the end of this year. But this will be significantly above the level forecast earlier this year when more than 1.34m public sector workers received pay awards set by their pay review bodies.

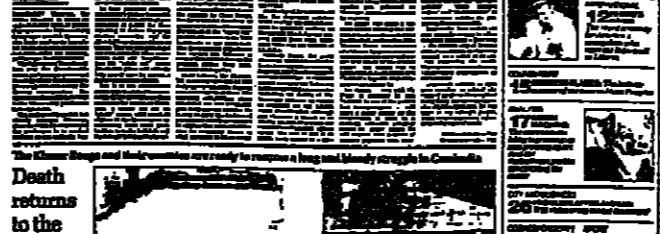
Higher than forecast inflation will fuel public sector pay demands, particularly from teachers who were awarded 6 per cent last April and nurses, who got 6.8 per cent, especially as these awards were followed by a set of public sector pay settlements worth 8.8 per cent this summer.

IDS predicts that manufacturing settlements will be influenced by deals at the car companies Ford and Nissan which will be between 9 and 9.5 per cent. The financial services sector is expected to continue to deliver most of its settlements above 8 per cent.

The above and pace of change, Page 18

CORRESPONDENT

Thatcher faces grassroots revolt



New Sunday paper makes sell-out debut

By Raymond Snoddy

THE LAUNCH issue of the Sunday Correspondent, the first new quality national Sunday newspaper in Britain since 1961, appears to have been a sell-out.

The new paper printed 600,000 copies, more than had been intended, at five print centres.

By 11am the paper's circulation department estimated that between 90 and 95 per cent had been sold with reports from several parts of London of potential readers being unable to get copies.

Mr Peter Cole, the Sunday Correspondent editor, said yesterday: "I think perhaps we should have printed more copies." After the initial celebrations, the Correspondent staff will now have to brace themselves for the almost inevitable slide in circulation which follows the launch of any new title after the curiosity value has worn off.

Mr Cole said yesterday it would probably be the end of November before the paper knew what its future would be. The target is an average of 800,000 in its first year. Even rival editors yesterday were prepared to bestow at least grudging praise on the new title whose shareholders

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Power users complain about supply proposal

By Max Wilkinson

LARGE industrial consumers of electricity have told the Government they are "horrified" by proposals from the supply industry which would limit competition after it is privatised.

In a letter to Mr John Wakeham, the Energy Secretary, the Energy Intensive Users' Group, said: "We are amazed at the balance of what is now apparently proposed and that the major generators should subscribe to it."

They were referring to recent less reports of a proposal from the 12 area electricity boards, and the two generating companies which will be formed from the present Central Electricity Generating Board, which set out the basis for a new privatised system.

The industry proposed that competition should be limited to those customers individually taking at least 1MegaWatt of power - altogether about 30 per cent of the electricity market. However, the two generating companies, National Power and PowerGen, would agree not to compete for more than half of these customers in any one area - leaving the other half for any new companies which may spring up when the market is opened. In exchange, the generators would be given long-term contracts guaranteeing them the full recovery of their capital costs, plus profit.

The 2 distribution companies would be granted monopoly franchises for the remaining 70 per cent of customers.

The letter to Mr Wakeham from Ian Blakey, secretary of the users' group, says it would be "potentially disastrous" if the Government to go ahead with the incorporation of the new electricity com-

panies on January 1 as planned, because larger users would not have enough time to work out reasonable contractual terms with suppliers.

The letter says: "We have long detected a desire among the present area boards to exploit their monopoly to the detriment of consumers."

It adds that it was "intolerable" that only a proportion of the market of 1MW-plus customers would be available for National Power and PowerGen.

"The effect will be to create competition among customers, rather than the suppliers". This he says would be a "far cry" from the proposals in the draft law on electricity privatisation, which envisaged vigorous competition in the generation and supply markets.

The Department of Industry objected on competition grounds earlier this year to the idea that electricity supplies to area boards should be tied up in long-term contracts.

Mr Wakeham is said to be studying the industry's proposals, but has made it clear that his priority is to stick to the Government's timetable for privatising the industry within this session of Parliament. He is also said to be concerned that the future of British Coal should not be jeopardised by arrangements made within the electricity industry.

British Coal has told him that if unbridled competition and short-term supply contracts were allowed in electricity, supply coal contracts would also have to be short-term. Any resulting big imports of cheap coal would threaten a new wave of pit closures.

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CONSTRUCTION CONTRACTS

Taylor Woodrow awarded Tube station rebuild

THE ANGEL, Islington, one of London's best known Underground stations, is to be rebuilt by Taylor Woodrow Management Contracting. The contract is worth \$40m and is for overseeing and managing the design and construction work. The station, on the Northern Line, at present has to be closed periodically to prevent congestion. The company will be responsible for fitting out a new, larger ticket hall in the basement of an office block being developed next door to the existing station. From there, escalator shafts and pilot tunnels for the new platform course will be sunk. The station now has lift access to and from the single

island platform with trains passing either side. Under the contract, Taylor Woodrow will be responsible for buying and installing six escalators in two banks of three, the upper of which will feature what are thought to be the largest units in Europe. Starting in November, TWMC will sink a vertical shaft to track level. From this, the new platform and running tunnels will be driven adjacent to the existing one. The tunnels and the step plate junctions at either end will be built while the station is being used. The work will be scheduled to avoid disruption to the public. Commissioning of the new escalators will allow removal of the existing lifts and comple-

tion of the whole project by the end of 1992. TWMC will manage the design process, which will be produced from a number of sources. Complete civil engineering design and concept designs for architectural, structural, electrical and mechanical work will be by London Underground. TWMC will be responsible for the design co-ordination and for detailed design which will be carried out by Taylor Woodrow Group companies Taywood Engineering and Taymech. Escalator design will be by a specialist sub-contractor. Northcott, Neighbour and Nichelson will be quantity surveyors.

Office work in London worth £8m


TEAM Management (Southern) has won the \$8m management contract for an office development at Vauxhall Gate, London, for the Harleyford Road Partnership. The contract will provide 111,000 sq ft of lettable space. There will be underground parking for 150 cars and the development will be capable of being split into 39 separate serviced office units, each with independent access and parking facilities. Each office will overlook an interior courtyard with landscaped gardens and a cafe. The building will have a three-storey beam and column frame with basement on mass concrete foundations. A glazed feature entrance atrium will incorporate scenic lifts and marble clad walls.

Leicester Square to have sub-station

TAYLOR WOODROW group has also been awarded the contract for building a primary sub-station in another of London's landmarks, Leicester Square. It will be built under the south end of Leicester Square Gardens and is needed to meet growing demand for electricity in the area. Planned to be built on three levels down to a depth of 18.5m, the £7m structure will house three transformers, ancillary equipment and switchgear. Ground conditions will require more than 130 foundation piles being sunk. Over these will be laid a reinforced concrete basement slab. A diaphragm wall 800mm thick will enclose the whole project. Internal floors will be built on a concrete encased steel frame. A key element in the con-

tract will be the preservation of five of the square's plane trees from roof and above-surface damage. This will entail temporary site cover to prevent ground compaction, protective cladding of the trunks and possibly some tree canopy shielding. A further difficulty will be the protection of an adjacent brick-built Victorian sewer, about 4.5m underground and close to the sub-station's diaphragm wall. Taylor Woodrow Construction has already appointed the main sub-contractor for the project. Piling and building of the diaphragm wall will be by Cementation. TWC will also be responsible for the brickwork of internal walls, steel door installation, mechanical ventilation, plumbing, drainage and sanitary engineering.

ENGINEERING
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COSTAIN GROUP PLC

Projects across the country for John Laing

MORE THAN £38m of new work has been announced by John Laing Construction. In Bristol, Laing Management Contracting has started work as construction manager on a £17.5m office development for Standard Life Assurance while Laing Southern is to design and build a £6.9m leisure pool and library complex in Griffin St, Deptford. Laing Southern has also won contracts for work on housing estates for Lambeth and Wandsworth councils. Salford City Council has awarded Laing North West a £3m order for phase three of its civic centre, while Laing Scotland has won a £4.5m Grosvenor Developments order for a retail and office project in George St, Edinburgh. Laing Civil Engineering has been asked by the Department of Transport (Eastern Region) to build the interchange on the A13 road in Thurrock, which will serve the Lakeside shopping centre which is due to open in autumn next year.

Beazer wins renewal scheme

BEAZER Construction London has started work on a £5.7m rehabilitation/renewal contract by the London Borough of Tower Hamlets. Work includes structural repairs, roof renewal and environmental improvements, and is scheduled for completion in April. Another Beazer Regional Construction subsidiary, Beazer Construction Southern, has started on a £3.5m office development at Crown House, Durridge Road, Rickmansworth. The low-rise block, a joint project between Beazer Features and Albany House Developments, will provide 8,250 sq ft of offices and will be completed in March.

Trafalgar House to fit out Leeds store

CONTRACTS worth more than £23m have been won by Trafalgar House building and civil engineering companies. Willsett is to build five two-storey office units on the Southfields Business Park in Bessiton in a £2.8m project for Trafalgar House Business Parks. In Leeds the company has been asked to fit out the new Marks and Spencer satellite store in the Schofield Centre. In Southampton it will provide external weather proofing to an existing block of flats for the city council and at Woking it has won a £2.7m order to build a number of small office

units in a courtyard at Forsyth Road. T.H. Technology is the second Trafalgar House company to be awarded an appointment on the new sports centre at the Oval Cricket Ground for the design of the mechanical and electrical services for Eves Construction. The first was Cementation. The work covers hospitality and press boxes and interview, lecture and changing rooms. Gammon Construction, owned jointly by Trafalgar House and Jardine Matheson, has been awarded a series of contracts totalling £14m for work on Hong Kong Island and Kowloon.

Bridge for tunnel access

NORWEST HOLST has started work on a £12m contract to build vehicle access structures to the train loading platforms at Folkestone's Channel tunnel terminal. These comprise a 390m long multiple span bridge over the tunnel terminal tracks with

access ramps to platform level. The company is also responsible for constructing the track troughs between the platforms, ready for the track-laying works, and for extensive provision of service ducts and fuel and surface water drainage.

Oil field jobs for John Brown

JOHN BROWN, a Trafalgar House subsidiary, has been awarded two contracts, worth £19m, by BP Petroleum Development for its Bruce field. The first is for the detailed design, engineering and pro-

cessment for the drilling platform topsides and the second for detailed design, engineering and procurement for the jackets for both the process, utilities and quarters platform and for the drilling platform.

MID WALES

The Financial Times proposes to publish this survey on:

3rd November 1989

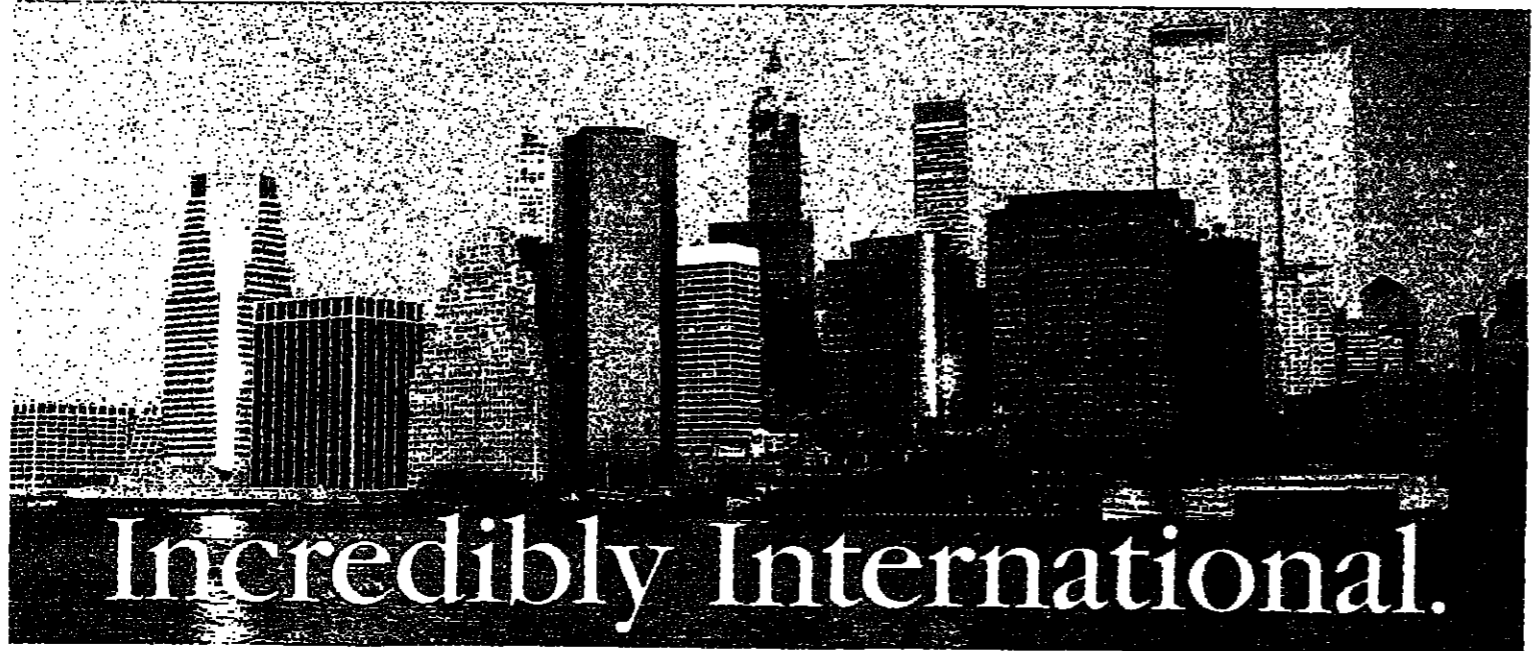
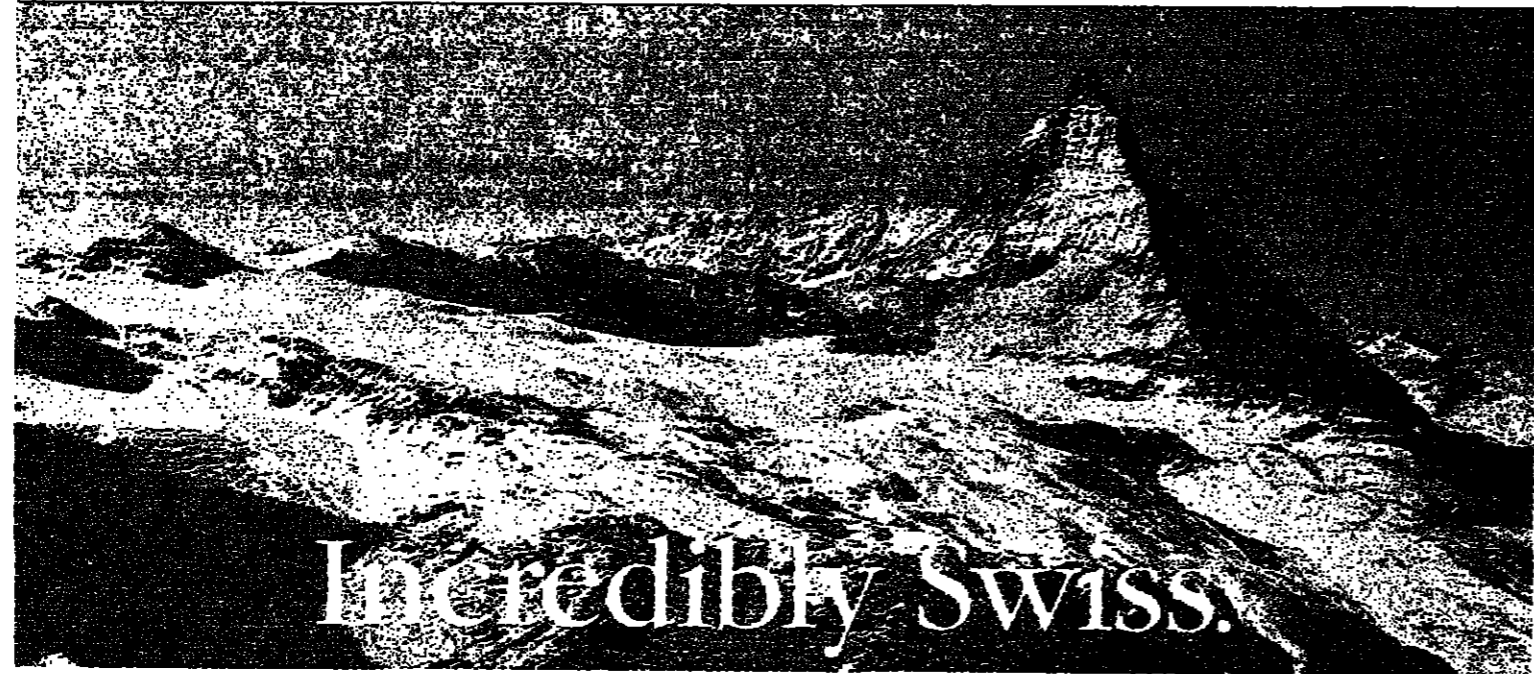
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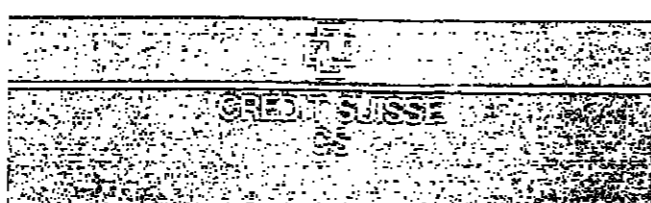
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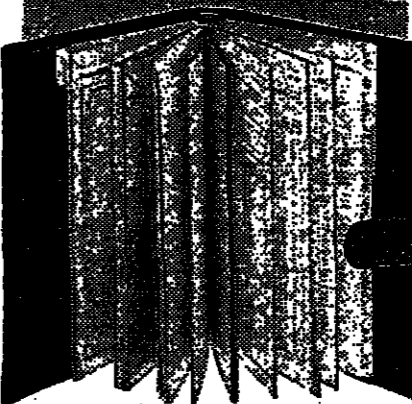
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Projects across the country
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Beazer renewal scheme

TS. FIGURE



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MANAGEMENT

Why manufacturing needs new accounts

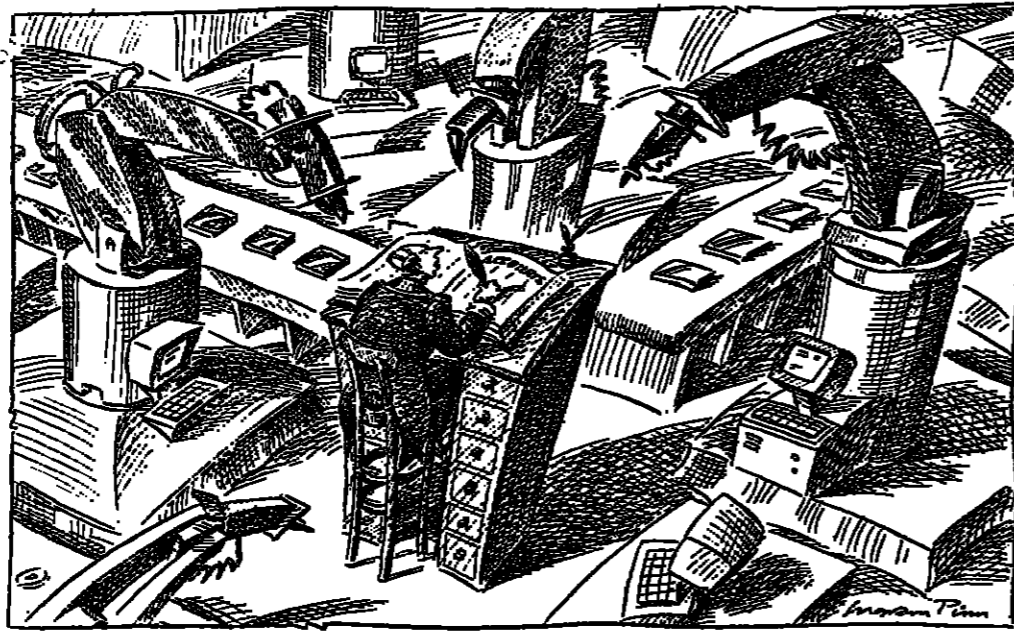
David Waller assesses the dangers to competitiveness of sticking to conventional ways of determining true product costs

Manufacturing industry has acquired a whole new vocabulary in the past few years. Phrases such as "just-in-time" production, "world-class manufacturing", and CAD-CAM all bear witness to the accelerating pace of technological change on the factory floor.

In its wake has come a growing debate about whether this new environment requires as radical an approach to management accounting as to management in general. The latest contribution to this came last week in a report published by the UK's Chartered Institute of Management Accountants.

According to one school of thought, the application of traditional accounting techniques is not merely theoretically unsound, but a recipe for business disaster. This doom-laden prognosis has been advanced strenuously by business school academics in the US and their followers in the consultancy world.

"Today's management accounting information, driven by the procedures and cycle of the organisation's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions," contended Professors Robert Kaplan and Thomas Johnson in the first sentence of their seminal book on the subject, *Relevance Lost*.



Kaplan suggested that management accountancy required a revolution to match the revolution in manufacturing technology. He advocated a move towards a more sophisticated analysis of the costs that go into making a product. More radical, from the point of view of the traditional accountant, was the recommendation that managers place more reliance on non-financial criteria. These include the number of unexpected machine failures, ratios of preventive and corrective maintenance to total maintenance and reject ratios - all part of a drive to monitor quality and not just costs.

This view is not shared by the CIMA report, which argues for a gradualist approach - as suggested by its title: "Management Accounting: Evolution Not Revolution." But the report, written by Professor Michael Bromwich and Alnoor Bhimani of the London School of Economics, does acknowledge a degree of obsolescence in a number of important areas.

The key anomaly arises when sharing out overheads to determine the true cost of a product. The report points out

that overheads - ie costs which cannot be tied directly to the process of manufacturing a given product - are generally allocated to a product with reference to the hours worked by staff on the shop-floor.

Is this not anachronistic, if the only workers there are minding the machines? Kaplan and Johnson visited one factory where direct labour accounted for only 4 per cent of total costs. Yet 65 per cent of the plant's cost system was focused on direct labour.

By following this approach, distortions can easily arise: for a start, a very small alteration in the number of direct labour hours worked has a dramatic - and wholly unrealistic - effect on the distribution of costs from product to product.

"After all," observed Kaplan and Johnson in *Relevance Lost*, "when product costs are reported with five or six significant digits, who would suspect that the first digit is wrong?"

What happens is that any product which uses relatively large amounts of direct labour begins to look very expensive. Accordingly, it may seem cheaper to buy in such mass-

production goods from a subcontractor and concentrate one's resources on low-volume high-value goods which require less direct labour. But these products may absorb the majority of the overhead.

Management may become preoccupied with recording labour time and explaining tiny variances against budget, while ignoring the basic fact that direct labour costs are a small proportion of the total.

This need for the conceptual barrier between overhead and direct costs to come down is the thrust of both Kaplan's work and the CIMA report. But the latter's recommendations are framed in the language of evolution and compromise, which may all too easily encourage inertia and complacency on the part of UK industrialists.

Kaplan is much more specific: for him the solution is something called "activity costing".

His first step is to identify the activities which go into making a widget: these could break down into purchasing, production, tooling design, administration and so on. The next, and crucial, step is to

identify the factors which influence the costs of a particular activity (jargon refers to these as "cost drivers"). For instance, the major cost driver for the purchasing department may be the number of suppliers with which it has to deal; an increase in suppliers may have a far greater effect than an increase in the number of orders.

These cost drivers are then used to help allocate to each product the costs of particular activities. If product A requires a relationship with 10 outside suppliers while product B requires only one, then product A carries a much greater share of the purchasing department's costs.

This is repeated for each cost driver, building up a full picture of costs related to each product. The result is a much more precise allocation of overheads between products than a simple division of all costs into direct and fixed.

CIMA's report plays down activity costing but endorses one of Kaplan's key contentions: that UK companies should take a leaf out of the Japanese book and pay attention to non-financial criteria.

In Japan, "factors such as desired market share, cycle time, reject rates and innovation are given more weight in managerial decision-making than calculative exercises about financial viability." More specifically, products are priced with reference to their marketability - at a level designed to win a given market share - rather than on a cost-plus basis.

There appears to have been no industry-wide research into how many western companies have adopted such an approach in practice, although anecdotal evidence suggests that US companies are more aware of the problems - and the possible solution - than their counterparts in the UK. Nor is there comprehensive data on how activity costing - clearly a sensibly difficult thing to design, implement and audit - actually benefits profits.

Joint ventures

Where Europe falls short

Christopher Lorenz on the case for more collaboration

The imminent carve-up of Plessey by its fellow British electronics company, GEC, in concert with the giant Siemens of West Germany, has been attacked by critics as the triumph of oligopoly over entrepreneurship. But, in spite of the managerial complexity and potential for conflict within alliances, more such intra-European collaboration is needed if Europe's technology-intensive companies are to avoid being "balkanised" still further, according to a leading American consultancy.

The GEC-Siemens collaboration is a "first class example [of collaboration] between two previously improbable partners," says the Stanford Research Institute (SRI), adding that the number of other "cross-European linkages" is "... too low for comfort."

Commenting on the results of a study it has made of the attitudes of 86 European, US and Japanese companies towards technology alliances, SRI warns technology-intensive British companies in particular that they are uniquely disadvantaged in Europe by what it calls "casino capitalism". Partnering in continental Europe should now become a "must", it advises.

For European companies as a whole, the study's catalogue of warnings makes sober reading. Japanese companies are taking a more proactive role in the establishment of alliances, it suggests, while most Europeans (and Americans) occupy a reactive position.

Not only that, but European companies tend to have relatively unclear objectives for their alliances. As SRI says: "This is clearly a mistake."

European companies may also have unrealistic expectations that alliances will help them exploit their own technology, the consultancy suggests. With more and more Japanese companies negotiating alliances primarily in order to gain access to the single European market, continental and UK companies "desperately need to negotiate for reciprocity." In other words, they have been giving away something the Japanese are crying out for.

SRI also reports that European alliance partners, like their American counterparts, tend to negotiate for reciprocity for an alliance to project managers who are not senior enough, or are not suitably qualified, to exploit its strategic potential.

Though the main brunt of SRI's criticism falls on European companies, the study also reports that most collaboration partners - including the Japanese and Americans - are still not applying general rules for entering and managing technology alliances.

The tendency to deal with alliances on a "case-by-case" basis seems at odds with their highly risky nature, says SRI, and with the importance most companies claim to attach to them.

For half the respondents, about 30 per cent of their total

business was already involved in alliances. Although cost-sharing was a less significant motive for entering an alliance than SRI expected (far less weight than exploiting others' technology, and access to others' markets), getting value for money did emerge as by far the single greatest problem once an alliance was under way.

Only half the proportion of respondents cited the dangers of becoming alliance-dependent (16 per cent) and of one partner always gaining more than others (15 per cent). Other specific problems were "legal wrangles" and that alliances were "too complex to manage" (both nine per cent), with "net loss of proprietary technology" surprisingly low, at only seven per cent.

Concern about the latter was, as expected, higher among Europeans and Americans than the Japanese. But this common awareness of risks does not explain why the European companies in SRI's sample expressed themselves pleased with the progress of their alliances, while almost all the Americans were not (a quarter described their alliance performance as "rotten").

One reason may be the Europeans' relative lack of clear objectives - that they may have been all too easy to satisfy.

The ham and eggs syndrome

SIEMENS may have been forced by takeover hurdles into using joint ventures to break into Britain and other markets where its presence has been weak (see above), but that does not mean its managers are all comfortable with this strategy.

In a paradoxical coincidence, Siemens' joint success this month with GEC in gaining control of Plessey and paving the way for the establishment of several GEC alliances - was marked by the European publication of a book in

which, on behalf of the company as a whole, a senior Siemens manager disparages alliances in no uncertain terms.

The book, *International Joint Ventures in Action*, by Susan Goldenberg, was first published last year in the US.

It sheds useful light on why certain leading companies - including Siemens - relegate them "to last place in their corporate strategies," according to Goldenberg, whose research was done before the GEC deals.

In a memorable if convoluted image, a Siemens manager called Joerg Wehr explains in the book that this is because "the purpose of joint ventures is to produce ham and eggs."

But while the chicken only has to lay an egg, a pig must be slaughtered to produce ham. Thus the pig does not want to make its contribution. The same is true in a joint venture - neither partner wants to be the pig. Which, being translated, means that one partner in a joint venture usually loses out to the other. Wehr goes on to warn that "joint ventures entail management problems that are costly in the long run."

Whether his bosses would allow him to be so frank today must be doubtful. Which makes his views all the more valuable.

* Hutchinson, EES.

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FINANCIAL TIMES COMPANIES & MARKETS

Monday September 18 1989

INSIDE

Hidden blessings to Campeau crisis

Last week's troubles for Robert Campeau... the Canadian businessman who assembled the world's largest department store empire...

Ins but no outs at Co op

Since Co op, Germany's sixth biggest retailer, announced on Wednesday that its 124 unsecured creditor banks had failed to agree to a last-minute restructuring package...

Reciprocity and art of the deal

Europe's current binge of cross-border mergers and acquisitions has focused attention on the question of take-over reciprocity...

Market Statistics

Table with market statistics including Base lending rates, Eurozone turnover, FT-100, etc.

Companies in this section

Table listing companies like ADT, Arley Holdings, Asda, etc.

European jets take up battle formation

Paul Betts looks at last week's deal between Air France and Lufthansa



Rahman (left) and Attali: response to deal-making fever

At France and Lufthansa, the French and West German state-controlled airlines, are trying to shake off their dowdy corporate image...

The partnership pact they signed at the end of last week is a direct response to the current deal-making fever spreading throughout the airline industry...

Neither, they stressed, was it a rushed reaction to the growing scramble for partners in the world airline business...

Mr Attali said the emergence of the single European market and a decade of deregulation in the US had intensified competition...

their partner or partners. Others are seeking well-balanced, lasting strategies of alliance...

At the same time, the two airlines insist they will retain their separate identities and will continue to compete against each other...

Other analysts have already questioned the benefits of the Lufthansa-Air France tie-up...

the joint launching of new long-distance routes from Europe and the two companies are already considering a new service from Germany, via France...

Lufthansa has long been a dominant player in the cargo business and Air France is now seeking to build up its freight operations...

The co-operation agreement has confirmed the consolidation which is beginning to take place in the European airline industry...

Lessons for today from Mr Cobden

Martin Wolf on the rise of Japan and the decline of the Soviet Union



It is to the industry, the economy, and peaceful policy of America, and not to the growth of Russia, that our statesmen and politicians ought to direct their anxious study...

Thus wrote the then almost unknown Richard Cobden, subsequently head of the Anti-Corn Law League...

Just as the UK looked at the threat of Russian expansionism, so for more than forty years has the US been obsessed by its military rivalry with the Soviet Union...

thing one country might wish to obtain from another could be best obtained by the growth of peaceful commerce and that a major war, being self-evidently futile, could be prevented by the expedient of free trade...

Look more closely at contemporary western Europe. Incomes per head show a marked negative correlation with the size of a country's overseas empire...

den's point about the primacy of peaceful internal development than the relative position of Japan and the Soviet Union today...

If imperial expansion is futile, so is any other way of using force to obtain resources, particularly advanced industrial products...

Neither the possession of an extensive empire nor threats of force add anything useful to the prosperity of a "great power". They have become a form of conspicuous consumption...

Nothing better illustrates Cobden's point about the primacy of peaceful internal development than the relative position of Japan and the Soviet Union today...

Economics Notebook

Feminism and man-made policies

IF THE proverbial man from Mars were to descend on Washington towards the end of this week, he would have a golden opportunity to ponder one of the normally unremarked oddities of the world economy...

He would be able to reflect on the fact that around 50 per cent of the Earth's population are women while most of the thousands of officials, bankers and journalists arriving for the annual meetings of the International Monetary Fund and World Bank will be men...

According to the World Bank, women in many parts of sub-Saharan Africa make up around 60 per cent of the labour force and grow about 80 per cent of the food...

able, the World Bank President, launched a "women in development" initiative some time ago in an attempt to improve their lot in Third World countries...

Men can support green economics without any loss of power, she says. By contrast, feminist economics is a threat to male dominance.

As a result, Ms Waring claims that women have become largely invisible in national accounts. The Commonwealth study group has pointed to the disadvantages that this can create for women in the Third World...

and household surveys, women should ignore the usual requirement to omit details of housework and designate themselves as "unpaid workers", giving a full account of hours worked in the home...

One of the notable developments of 1989 has been the emergence and acceptance of environmental concerns as an important component of economic policy making...

British hopes Hopes are growing among British officials that Mr Nigel Lawson, the Chancellor, may be able to avoid a politically difficult decision over Japanese demands for Britain to step down from its number two position in the International Monetary Fund...

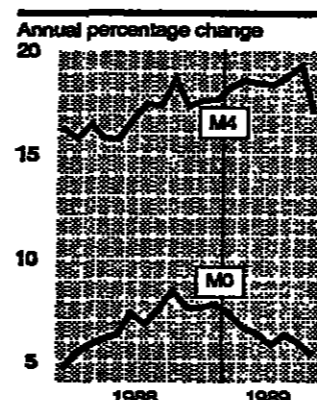
THIS WEEK

DOMESTIC and international monetary matters move into the spotlight in a week that sees world economic makers converge on Washington for this year's annual meetings of the International Monetary Fund and World Bank...

The IMF and World Bank jamborees begin in an admittedly low key manner with officials from the Group of 24 developing nations meeting on Thursday and Friday in preparation for a Saturday G24 ministerial meeting...

Also on Saturday, however, the finance ministers and central bank governors of the Group of Seven leading industrial nations gather to discuss the strong dollar, policy co-ordination and whether to increase the IMF's resources...

The US Federal Reserve "Beige Book" on Wednesday will give an idea of how the increasingly influential regional Federal Reserve banks view the US economy and monetary stance ahead of the next Federal Open Market Committee meeting...



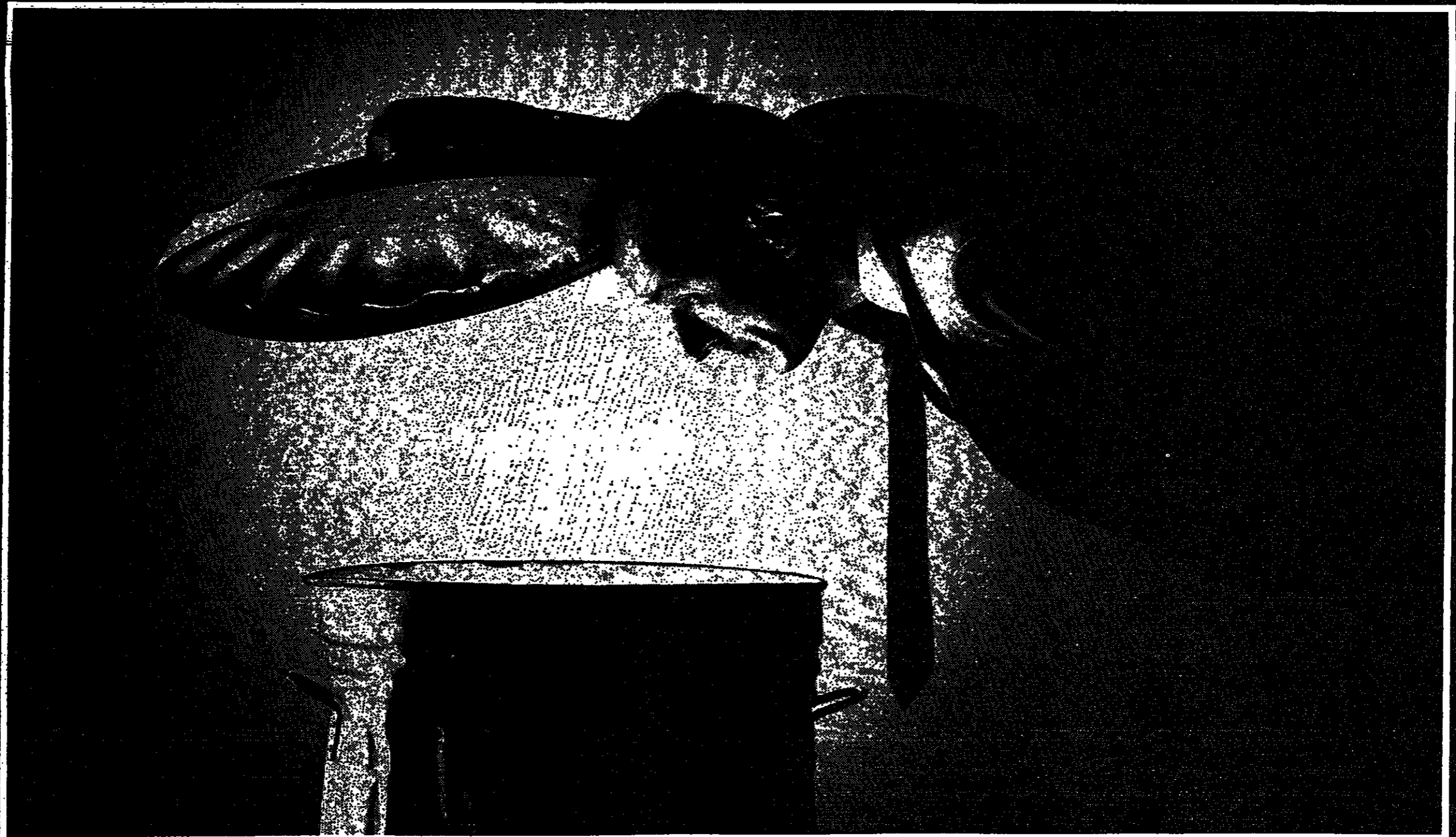
grow by 17.7 compared with 17.1 per cent in July. At the same time, bank and building society lending figures are released...

Also on Wednesday, Britain reports its unit labour costs, productivity and industrial production figures for July. The MMS consensus is for a 0.4 per cent monthly gain in manufacturing output for July...

Tuesday: US, August housing starts (1.43m), Japan, August money supply, July household consumption, The Hague, Netherlands, 1990 budget presentation...

Advertisement for John Charcol mortgage services, featuring the headline "I was shopping around for the lowest mortgage rate." and contact information.

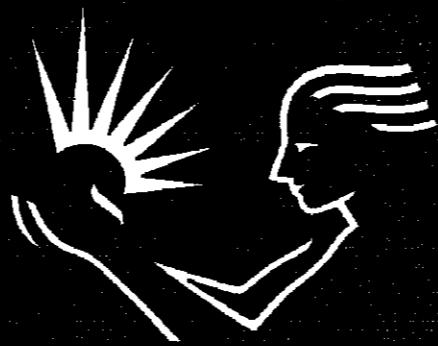
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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Campeau sparks junk bond turmoil

HAS Robert Campeau saved American credit? The question only sounds insane. Mr Campeau is, if anybody needs reminding, the Canadian businessman who assembled one of the world's largest department store empires with nothing except \$10bn in loans and a dream.

Last week, to the surprise of nobody except Mr Campeau, his present and former investment bankers at First Boston Corporation and the unfortunate buyers of the junk bonds, this short-lived empire began to crumble. Campeau admitted it did not have enough money to buy stock let alone meet payments due to the investment bankers and bondholders.

To keep control of the business, Mr Campeau spent last week negotiating with the only source of new capital around, Olympia & York, the Canadian real estate developer. This company, which is owned by the Reichmann family of Toronto, helped him finance his \$6.6bn takeover of Federated Department Stores last year.

But this \$250m, though it will fill Bloomberg's with imitation leopard-skin skirts, will probably cost Mr Campeau control of the company. The Reichmanns, who had amassed a 25 per cent stake in Campeau up to last week, look certain to exercise ever-greater authority over the troubled business.

"We're like the Allied powers in Second World War," an Olympia official was quoted as saying about Campeau last year. "When the war is over, we'll be moving in to scoop in as many pieces as we can."

For the junk bond buyers there may not be many pieces left. One of the many infuriating things about junk bonds is

that it is hard to find out bid and offer prices. This obscurity allows investment bankers to draw a veil over their less sought-after issues. But according to one dealer, the 11 1/2 per cent bonds of 1997 issued by Allied Stores (bought by Campeau in 1986) were trading at 82 cents on the dollar on Friday. Federated's 16s of 2000 were trading in the low 70s cents on the dollar.

The worst speculative excess: first in agriculture, then in energy markets and now in the leveraging of industrial and service companies. The secret is to shake out the speculators in batches not, as in the 1920s, all together.

But there is one shadow over this optimistic picture and this was cast last week not by Campeau, but by United Airlines. Up to now the banking system has remained insulated from the problems of highly leveraged companies such as Campeau. The banks are shielded from loss at these companies not so much by the stockholders' equity, which is usually minuscule, but by a fat cushion of junk bonds and, occasionally, investment bank bridge loans. Not at United Airlines.

On Thursday Citibank and Chase Manhattan announced they would lend \$3bn of their

business practices in the savings and loan and insurance industries. If allowed to run its course, this speculative frenzy could easily cause another crash and one that, this time, would usher in a severe business recession.

The US business expansion has only lasted this long because of what might be termed a rolling liquidation of the worst speculative excess: first in agriculture, then in energy markets and now in the leveraging of industrial and service companies.

If the US commercial banks are already risking their capital on leveraged buy-outs in such volatile industries as commercial aviation, then the lesson from Campeau is not a lesson as the bankers are not listening. Last Friday's speculation that a bank was about to go under because of bad leveraged buy-out loans was just a crazy rumour. But imagine if it had been true.

Campeau chief may step down, Page 27

own to the leveraged buy-out of United Airlines and were highly confident they could syndicate \$4.2bn in other loans. Between them and loss is no subordinated debt just \$750m in cash equity from British Airways of the UK and a promise of pay concessions from the 6,000 unionised pilots.

Bankers to the deal were saying last Friday that the money was safe because the pilots were on board and had promised \$250m a year for seven years in pay concessions. But the airline business is prey to uncertainties other than labour costs. These uncertainties include the general level of business activity, fuel costs, interest rates, competition, technology and accidents.

If the US commercial banks are already risking their capital on leveraged buy-outs in such volatile industries as commercial aviation, then the lesson from Campeau is not a lesson as the bankers are not listening. Last Friday's speculation that a bank was about to go under because of bad leveraged buy-out loans was just a crazy rumour. But imagine if it had been true.

Campeau chief may step down, Page 27

James Buchan

US MONEY MARKET RATES (%)

Table with 5 columns: Instrument, Last Friday, 1 week ago, 4 wks ago, 12-month High, 12-month Low. Rows include Fed Funds, Treasury bills, Treasury notes, Treasury bonds, Commercial paper.

US BOND PRICES AND YIELDS (%)

Table with 5 columns: Instrument, Last Fri., Change on wk, Yield, 1 week ago, 4 wks ago. Rows include 30-year Treasury, 20-year Treasury, 10-year Treasury, 5-year Treasury.

Money supply in the week ended September 4, seasonally adjusted M1 fell \$2.7bn to \$774.7bn

NRI TOKYO BOND INDEX

Table with 5 columns: Instrument, 7/7/89, Annual yield (%), Last week, 12 wks ago, 26 wks ago. Rows include Overall, Government Bonds, Municipal Bonds, Corporate Bonds, etc.

UK GILTS

No shake-up after economic data

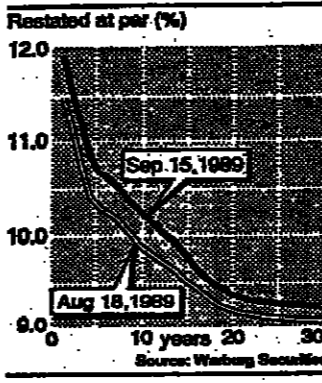
LAST WEEK'S clutch of economic statistics summed up the current state of the UK economy and went a long way to explaining why the market closed broadly unchanged on the week.

They also explained why the British Treasury is less than thrilled with the current conjuncture in the economy. From the market's point of view the numbers cancelled each other out. Encouraging producer prices and provisional retail sales data on Monday came up against less encouraging labour market and retail price figures on Friday - not to mention heightened worries of a tightening in German and Japanese monetary policy.

In general, the economy has performed much as the Treasury thought it would, especially the housing market and the consumer (though there is a residual fear that if the monetary squeeze is loosened too early then the pent-up demand in the housing market will prove inflationary again). Growth in industrial production, although robust, is moderating as it was meant to.

If there is one key disappointment, it is that the Treasury has not got the inflation improvement it thought it would. A given level of interest rates has borne down on the real economy as planned, but they have not produced the expected decline in inflation.

UK gilts yields



In spite of the slight downgrading of the significance of the Treasury realises it will have some explaining to do about its misbehaviour. It may not be within its target range of 1 to 5 per cent growth by the end of this financial year.

Of more immediate concern is the M0 number out this week. Some analysts believe it might have risen in August by 6 per cent on the year, after allowing for seasonal variations. The official line appears to be that seasonal adjustment is poor in the summer months (as with the winter) and the rebound might reflect higher spending on back-to-school wear. Friday's inflation numbers gave few in the City any cause to alter their forecasts. Some

expect a slightly higher end-year rate (ie. above 7 per cent instead of just below it) because they have included a 1/2 point rise in the mortgage rate.

There can be little wonder that activity in the market is investor there is little to play until he can become confident that the most move in domestic interest rates is down. In this context the foreign exchanges provide little comfort.

The robustness of sterling still remains a prime concern in the market. It has been sidelined in the past couple of weeks as the foreign exchange market attempts to take the dollar above DM2. A look at real interest rates over the past year provides a clue to what is needed to keep the pound around current levels.

In August, real interest rates - three-month deposits deflated by the retail consumer price index - needed to be 2 percentage points higher than West German rates, 2.5 points higher than US rates, and 3.5 points higher than Japanese rates. Assuming no change in US and German monetary policy, it seems likely that real interest rates in those two countries will increase as inflationary pressures abate. On unchanged monetary policy in the UK, real rates might rise a half to 1 percentage point by the end of the year.

forces operating are equal and opposite there is no problem. If the Bundesbank decides to tighten the interest rate screw one more time then the pound may have problems.

In May, the authorities were forced by sterling's precipitate decline to raise interest rates. The initial rationale was the support of sterling only later did the authorities come to see that 14 per cent base rates were needed for domestic reasons as well. It is not beyond the bounds of possibility that they will face a similar test before the year is out.

This Friday's £400m reverse auction again raises the medley of gilts market. Messrs Simon Briscoe and Richard Bevell, of Greenwell Montagu, calculate that the market will shrink by some £20bn to £25bn this financial year. They estimate that foreigners hold £18.8bn of gilts (of which foreign central banks hold \$5.1bn) and UK insurance companies and pension funds hold \$22.5bn. If foreigners do not sell, because sterling is not to fall, then prices will have to rise to induce domestic investors to part with their stock. They conclude that there is virtue for the domestic investor in holding on for the price rise which they believe the Bank's buying should cause.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bond yields and prices for various countries including Australia, Canada, France, Germany, Italy, Japan, etc. Columns include instrument name, yield, and price.

EC bourses to share information

THE Federation of EC Stock Exchanges has agreed to create a shared market information service in a move towards establishing a market for top European securities, Reuters reports.

The agreement was reached during a two-day meeting of the heads of EC bourses. No timetable was set.

The project, which will provide prices and company news, follows French and UK stock exchange proposals made several months ago for an eventual screen-based market covering the top 200 to 300 European stocks.

The European bourses agreed to go ahead and prepare operating arrangements.

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STRAIGHT BONDS: Yield to redemption of the mid-price. Amount listed is expressed in millions of currency units except for Yen Bonds, where it is in billions. FLOATING RATE BONDS: US dollars unless indicated. Margin above six-month offered rate for US dollars. Cops - current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem - percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem - exercise premium over current share price. Bond warrant prem - exercise yield at current warrant price. Closing prices on SEPT 17 89.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

W Germany's bankruptcy laws under fire

Haig Simonian on demands for legal reform in the wake of the Co op failure

Given an empty lorry and a good road map, any of the thousands of suppliers of Co op, the troubled West German retailer which last week applied for receivership, can make their way to Frechen, a small town near Cologne.

What they will find there is another matter. For, as with the group's 10 other regional depots, while loaded trucks can roll in, access for those wanting to take out their — as yet unpaid — goods is strictly verboten.

The list of suppliers trying to reclaim their stock has accelerated since Co op, Germany's sixth biggest retailer, announced on Wednesday that its 124 unsecured creditor banks had failed to agree to a last-minute restructuring package, forcing it into receivership.

With a frantic round of bankers' meetings, culminating in an urgent session on Sunday afternoon, taking place in the past 48 hours, the number of irate suppliers will rocket should Co op's creditors fail to reach a solution allowing the withdrawal of its receivership application.

For, as the picture at Frechen shows, tales of bounced cheques and demands for cash on delivery, which have snow-

balled as companies throughout Germany pore over their books to ascertain their Co op exposure, have again thrown light on the anomalies in Germany's current insolvency laws.

Quite why Co op, or its lead bankers, frittered away so much of the vital three weeks allowed to companies under German rules to restore their finances once a shortfall has been discovered remains one of the key questions in its saga, temporarily eclipsing how the group got into such a mess in the first place.

What is already clear is that the six "pool" banks co-ordinating the business, and especially Swiss Bank Corporation, Amro, Security Pacific and Svenska Handelsbanken, the four foreign institutions which now own some 72 per cent of its shares, are no longer working together harmoniously.

The creditor banks' lack of enthusiasm is understandable. Only in February had they accepted a DM1.95bn (£1.02bn) rescheduling package, and matters have clearly not improved since.

But the longer it takes the banks to plug the additional DM750m of overindebtedness Co op discovered when it produced preliminary comprehensive accounts last month, the



Hans Friderichs: has made some harsh comment

greater the chances are that the group, which is currently being administered by a temporary court-appointed receiver, will tip over the edge into Germany's biggest-ever bankruptcy.

The company still hopes that enough banks will be persuaded to accept DG Bank's plan to write off 75 per cent of their unsecured loans in return for the remainder in cash at the end of this month. But, as matters at Co op's depots have dramatically shown, the patience of its suppliers and landlords is being increasingly strained.

The landlords are particularly important in the case of Co op's rented property. Their contracts enable them to give the company immediate notice in the case of receivership. With Co op's wealthier rivals already offering fancy prices to take over its best sites, the temptation to evict is growing harder to resist.

Mr Hans Friderichs, the former German Economics Minister and chief executive of Dresdner Bank who, since December, has chaired Co op's supervisory board, had some harsh words to say about the German bankruptcy rules last week.

"The law 'was supposed to have been reformed years ago,'" he said. For unlike Chapter 11 in the US, which gives a company in difficulties time to restore its finances, the German system, supposedly designed to protect creditors, has just the opposite effect by completely tying a company's hands.

But even the cool Mr Friderichs has come under fire in the latest round of Co op's troubles. Although widely praised for his calmness at first, some say his stress on consensus is inappropriate now Co op has its back to the wall.

For even if Sunday's talks resolve the crisis, each passing

day thereafter turns it increasingly into a break-up candidate. Mr Friderichs himself admitted as much when he said that every interested party "who got in touch and was serious was received."

Yet their interest proves that, once restored financially, Co op could form a potentially attractive part in the realignment taking place in European retailing, especially after this month's creation of a wide-ranging alliance between a number of European groups.

Co op's food production activities have already been sold to DG Bank and Bank für Gemeinwirtschaft. While its 1,658 urban supermarkets only have a limited appeal in view of their small average size of just 606 sq m, its relatively large number of bigger units is another matter.

Interest is likely to focus on the 47 Plaza hyperstores, with an average size of almost 7,000 sq m, as well as its 78-odd do-it-yourself outlets, which average about 1,800 sq m each.

German zoning laws now make it virtually impossible to open new greenfield sites, meaning that such outlets carry a strong rarity value. However, all the Plaza sites are rented, putting their future in some doubt.

Siemens buys top carriage maker

By Andrew Fisher in Frankfurt

SIEMENS, the West German electrical and electronics concern, is to strengthen its position in the rail transport sector by agreeing to buy control of Düwag, one of the country's leading train carriage and chassis manufacturers.

Düwag has a turnover of about DM300m (\$150m) a year and employs 2,200 people.

Siemens said the deal was aimed at widening the type of equipment it would be able to supply to railway authorities, which increasingly want to deal with only one supplier.

Both companies already cooperate on domestic and foreign contracts and have worked jointly on urban railway projects in Canada and the US. Düwag is also a big supplier to Inter City Express (ICE), the high-speed network of German Federal Railways (Deutsche Bundesbahn).

Siemens declined to give a price for its majority stake in Düwag, which it said was in profit. The deal is dependent on the approval of the Federal Cartel Office in Berlin. Siemens will purchase the holding from Waggonfabrik Talbot, a family-owned company which has more than 75 per cent of Düwag's shares and which will retain a minority interest.

Last year Siemens posted a turnover of nearly DM1bn from its transport technology activities, which will be made into a separate division from the start of the next financial year on October 1.

The group said it intended to build up its business in the supply of electrical equipment for railways.

Mr Kurt Capellmann, head of Waggonfabrik Talbot, said other companies had also wanted to buy Düwag. But Siemens offered the best prospects for Düwag's further growth and job security.

Siemens' aim of building up its rail activities come as other leading German companies have been manoeuvring to increase their standing in the transport sector. AEG, the electrical and electronics subsidiary of Daimler-Benz, has just won a DM160m contract.

Campeau chief may be forced to step down

By David Owen in Toronto

IT LOOKS increasingly as though Mr Robert Campeau, the impulsive French-Canadian property developer, is poised to relinquish control of his hastily assembled North American retailing empire.

Bankers are expected this week to accept conditions attached to a proposed \$50m convertible secured loan to Campeau Corporation from the Reichmann brothers' Olympea & York Developments (O&Y).

The loan, which is desperately needed to address liquidity requirements at Campeau's Allied Stores and Federated Department Stores units, would raise the Reichmanns' fully diluted stake in the company to at least 35 per cent.

Campeau admitted last week that "certain elements of the agreement in principle with O&Y might be deemed to constitute a change in control of Campeau Corporation." If the loan proceeds, the Campeau family's interest in the company would fall below the 50 per cent threshold.

At this stage it is not even

clear whether the headstrong Mr Campeau would have a role to play in a "senior executive management group" which will take charge of refinancing and restructuring the highly leveraged company.

The group will report directly to a so-called "committee" of the Campeau Corporation board "including representatives of minority shareholders." The restructuring will include the sale of the illustrious Bloomingdale's department store chain, for which three interested bidders have emerged already.

Delays in securing the necessary clearances for the \$50m loan meant that Allied was unable on Friday to pay interest of about \$45m on an issue of senior subordinated debentures.

Allied said that the indenture relating to the securities permitted a 30-day grace period. No other Allied debt would be in default as a result of failure to pay such interest during that period, the company added.

Ferruzzi names new trade chief

By George Graham in Paris

FERRUZZI, the Italian foods group, has named a new head for its trading operations and reorganised its grain and bean trading to tie in more closely with its agricultural processing activities.

Ferruzzi said that Mr Romano Venturi would take over as head of the group's trading operations. It confirmed that three senior managers had resigned from its French division as a result of disagreements over the new strategy.

Mr Venturi is to act in close liaison with Mr Renato Pico, head of Ferruzzi's agri-industry subsidiary, Erickania, and with Mr David Swanson, head of Central Soya, the US-soya bean processor bought in 1987.

Koor acts on loss-making unit

By Hugh Carnegie in Jerusalem

KOOR Industries, Israel's biggest industrial group which is battling against large debts and losses, plans to treat its Tadiran subsidiary as a property for sale in its half-year results due this month.

The move, aimed at reducing the impact on the group of the unit's heavy losses, is apparently prompted by worries about Koor's debt/equity ratio. It will have the effect of removing Tadiran's estimated first-half loss of \$5m from Koor's profit and loss account. Tadiran will be consolidated in the group accounts on an equity basis.

Koor officials say this will result in a reduction of the group's equity by an amount equivalent to the Tadiran loss. But, crucially, the effect on the group's debt will be much

greater — they say the total Koor debt of \$1.25bn will be reduced by about \$400m, the amount of the Tadiran debt.

Koor, a trade union-owned conglomerate struggling to keep its head above water after fending off a liquidation suit brought against it by Bankers Trust of New York last year, announced last month that it planned to sell off Tadiran, which accounts for more than a third of group turnover of \$2.5bn.

The key question is how Koor creditors will react. Koor has been especially concerned not to exceed a debt/equity ratio of 3:1, above which some \$100m of bonds issued by Koor in the US could be called in.

Koor is also not entirely clear of the liquidation threat. A rescheduling agreement was

reached in June with Bankers Trust, and other foreign creditors and Israeli banks under which the court winding-up application was removed. But continued concern about the financial condition of Koor has delayed the signing of final documents on the agreement.

The foreign creditors, led by Manufacturers Hanover, have blamed the Israeli banks for the delay. It is understood that the delay is caused by growing anxiety on the part of the four big Israeli banks, which carry most of the Koor debt, that the "first out" concession to foreign creditors in the June agreement leaves them unacceptably exposed.

Israeli bankers deny they want a renegotiation of the June accord, but they say they may seek an adjustment.

Nestlé agrees to sell Bech-Nut

By James Buchan in New York

RALSTON Purina, the US food manufacturer, is buying the scandal-plagued Bech-Nut baby food company from Nestlé of Switzerland. The terms of the deal were not revealed but Wall Street believes that Ralston is paying less than \$100m.

Ralston, which makes breakfast cereal and cakes and is the world's largest maker of pet food, signed on Friday a letter of intent to buy Bech-Nut from Nestlé Enterprises, a US subsidiary of the Swiss company.

Bech-Nut, based in suburban Philadelphia, has sales of about \$150m from juice, cereal and processed food for babies and is the second largest baby-food company after Gerber Products.

Liffe members apply to use screens for trading

By Katharine Campbell

ABOUT a quarter of Liffe members have committed themselves to the first stage of screen-based trading on the London futures market.

Automated FT Trading, the system which the exchange has been developing over the last two years, aims to replicate the ecology of the trading floor, initially for limited after-hours business.

About 50 members, responsible between them for roughly two-thirds of the market's total business, have agreed to rent terminals, said Mr Michael Jenkins, Liffe's chief executive.

The initial subscription is £15,000, with an additional £900 per month rental, through which the exchange effectively recoups its development costs.

While Liffe has not been overwhelmed by applications,

there is a comfortable quota with which to start, and further applications are expected. Mr Jenkins agreed a commitment at this stage was something of "an act of faith."

The London market has spent on APT only a fraction of the money lavished on new systems by some US exchanges. The initial costs are high, putting a premium on a reasonable turnover at the start. Unlike with Globex, the joint venture between the Chicago Mercantile Exchange and Reuters, members do not pay a per-contract levy.

The exchange has so far refused to set an official start date, although it is understood it hopes to begin between mid- and late-November if training and simulation sessions go according to plan.

Tilbury

THE CONSTRUCTIVE POWER

Interim results for the six months ended 30th June, 1989

Pre-tax profits of £10.2 million	up 91%
Earnings per share of 34.5p	up 77%
Dividend per share of 10p	up 7.4p

Profit and dividend forecast for the year ending 31st December, 1989

Pre-tax profits of not less than £27 million	up 84%
Earnings per share of not less than 90.4p	up 85%
Dividend per share of not less than 32p	up 94%

Notes

1. The interim results and profit and dividend forecasts referred to above were announced on 1st September, 1989 and are unaudited. Copies of the interim statement and profit forecast are available from the Company Secretary, Tilbury Group Plc, Tilbury House, Ruscombe Park, Tufford, Reading RG10 9JU.
2. The directors of Tilbury Group Plc accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts.

How Do You See Hyundai?

You probably picture Hyundai as a maker of affordable, high-quality cars.

That picture's not wrong. Just incomplete.

Those who work with advanced computers, ships and nuclear power plants have a better idea of our scope.

In fact, you'll find the Hyundai name behind sophisticated engineering projects, petrochemicals, robotics, and satellite communication systems, among other exciting and diverse industries.

Which is why, in Korea, Hyundai has become a symbol of our nation's economic progress.

So by all means, remember our cars. But don't forget the big picture.

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UK COMPANY NEWS

Asda set to buy 61 Gateway superstores

By Philip Coggan

ASDA, the supermarkets group, is expected to announce agreement today on the terms for the purchase of 61 superstores from Icosceles...

The bulk of the financing for the deal will come from existing bank facilities but Asda is also expected to announce today a £150m convertible bond...

of any package to flow to shareholders so a sale and leaseback plan can be ruled out. Asda says that on current projections its gearing ratio will fall to around 50 per cent by April 1990.

Platignum misses forecast and falls into the red at £2.9m

By Christopher Parkes, Consumer Industries Editor

THE NEW management at Platignum, the pens, furniture and housewares group, announced pre-tax losses of £2.9m for the 14 months ended March 31...

charges totalled £598,000. After tax and extraordinary items, the loss mounted to £492m. The accounts reflected more prudent accounting and a realistic view of the company's assets...

Mr Stephen Quinn, managing director, said the company was now trading profitably. Plans were in hand for the disposal of tool making and injection moulding businesses.

ADT builds up 4.9% ASH stake

By Philip Coggan

AUTOMATED SECURITY (Holdings), the electronic security company, said yesterday that it had discovered a 4.9 per cent stake in its equity held by ADT...

High interest takes Thurgar into losses

By John Thornhill

Sharply higher interest charges tilted Thurgar Barden, the Kettering-based manufacturer of plastic windows and doors, into a £167,000 loss during the half year to June 30...



Paul Murphy

Havelock Europa, the shopping group which saw pre-tax profits plummet to £52,000 in 1988-89, has won its first contract for a financial services client, TSB Group...

Tiphook and Stena lawsuit against SeaCon's Sherwood

By Philip Coggan

THE TWO companies bidding for Sea Containers, the Bermuda-registered ferry and container group, have issued a lawsuit against Mr James Sherwood...

Food Inds withdraws bid for Premier Co-Op

By Philip Coggan

FOOD Industries, the Irish agribusiness company controlled by Mr Larry Goodman, has withdrawn a £143.5m bid for Premier Co-Op...

Dinkie Heel profits doubled in first half

By Philip Coggan

Dinkie Heel almost doubled pre-tax profits from £120,000 to £238,000 in the six months to June 30...

Arley near trebled at £904,000

By Philip Coggan

Arley Holdings came close to trebling its profits in the first half of 1989. Taxable profits leaped from £318,000 to £904,000...

London Utd at £2.65m

By Philip Coggan

AFTER THE adverse effects of currency movements and a large increase in group borrowings, taxable profits of London United Investments, the insurance holding company, amounted to £2.65m for the half-year ended June 30 1989.

Lincoln back in black

By Philip Coggan

LINCOLN House, the walkovering maker and carter of sculpture formerly known as William Morris Fine Arts, returned to the black in the first half of 1989.

KLM Royal Dutch Airlines advertisement featuring Citibank and Citicorp logos. Text includes 'U.S. \$125,000,000 Cross-border lease financing of one Boeing 747-400 Aircraft'.

Pembridge backer advertisement for Pembridge Investments, mentioning a cash offer for DRG, the UK paper and packaging group.

FT Share Service advertisement listing various companies and their share information.

ABBEY NATIONAL BUILDING SOCIETY advertisement for Floating Rate Notes due 1994, with interest rate of 5.45% per annum.

NATIONAL BANK OF HUNGARY advertisement for Floating Rate Notes due 2000, with interest rate of 9 1/4% per annum.

Bank of Tokyo (Europe) advertisement for Floating Rate Notes due 1989, with interest rate of 8.25% per annum.

Lyonnaise des eaux advertisement for Floating Rate Notes due 1990, with interest rate of 8 1/4% per annum.

Yakult Honsha Co., Ltd. advertisement for Guaranteed Floating Rate Notes due 1991 and 1992, with interest rates of 2% and 1 7/8% respectively.

Helaba Finance B.V. advertisement for Guaranteed Floating Rate Notes due 1996, with interest rate of 8 1/4% per annum.

Lookers plc advertisement for 8 per cent Convertible Cumulative Redeemable Preference Shares of £1 each.

MFC Finance No.1 PLC advertisement for Mortgage Backed Floating Rate Notes due October 2023.

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Secs, Fixed Interest, Ordinary, Gold Mines, FT-Act All Share, FT-SE 100, and their values for Sep 15, Sep 14, Sep 13, Sep 12, Sep 11, Sep 10, Sep 9, Sep 8, Sep 7, Sep 6, Sep 5, Sep 4, Sep 3, Sep 2, Sep 1, 1989.

APPOINTMENTS

Ringtons production director

Mr Colin J. Smith has been promoted to production director at RINGTONS, the tea merchants. He will be responsible for the company's production factory in Newcastle Upon Tyne.

Mr Severn has spent two years with National Mutual of Australasia (top direct salesman in 1973); 11 years with Manufacturers Life, rising to assistant general manager, and most recently was regional operations director for Abbey Life.

W. H. SMITH announced two senior appointments for its fast growing office supplies division.

Mr Bill Rowe, 45, currently buying and marketing manager at W. H. Smith News, becomes managing director of Sandhurst Marketing, and Mr Philip Galley, 47, takes over as Pentagon's managing director, both with effect from September 25.

Cityvision financial director for board

Mr Richard Prime has joined the board of CITYVISION, where he will have overall responsibility for finance and accounting. Mr Prime joined the group in 1988 as financial director of its Ritz Video Film Hire subsidiary.

DIARY DATES

Trade fairs and exhibitions: UK

- Current Antiques Fair (until September 23) (04447 2514) Chelsea Old Town Hall September 15-23 International Boat Show (0705 737311) Southampton September 17-18 DIY Trade Show (01-302 8565) B&S Court September 17-19 Gallery 89 - Framing and Fine Art Market (01-855 9201) Olympia 2, London September 18-22 International Handling & Storage Exhibition (0885 58431) NEC, Birmingham September 18-19 International High Definition Television Exhibition - HDTV (01-631 5986) Tara Hotel, London September 19-22 International Helicopter Technology & Operations Exhibition (01-649 5831) Redhill Aerodrome September 25-25 International Police Exhibition

Overseas exhibitions

- Current International Fisheries Industry Exhibition (until September 17) (01-938 5800) Nantes International Motor Show - IAA (until September 24) (01-724 0543) Frankfurt International Hardware Show - QUOJEM (until September 20) (01-226 5666) Paris Sept 25-Oct 1 International Technical Fair (01-636 8257) Flevodiv Oct 2-6 International Robotics, CAD/CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5666) Paris Oct 9-14 International Fair for Instrumentation and Automation - INTERKAMA (01-794 0166) Dusseldorf

Business and management conferences

- September 20 Fiber: Doing business in Spain (01-637 1133) Le Meridien Hotel, London September 21 CBI Conference: City investor relations (01-379 7400) Centre Point, London September 21 Business International: What the 90s will mean for international business (01-488 6711) Hyde Park Hotel, London September 21-22 Institute for International Research: Cost control and profitability in retailing (01-494 1017) Park Lane Hotel, London September 22 The Bow Group: The European defence industry and 1992 (0483 740700) Chiswick Street, London September 22 Battelle Institute: Strategic management of technology (01-488 0184) EAF Club, London September 24-26 Victory Reinsurance Co: European life marketing and actuarial conference (01-481 1200) Queen Elizabeth II Centre London Hilton Hotel

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published.

FINANCIAL TIMES CONFERENCES

RETAIL FINANCIAL SERVICES London, 2 & 3 October, 1989

After a two year interval this conference is being held again in London and the agenda is remarkably full. The impact of the Single European Market on the retail financial services industry will be the principal theme of the opening day and the outlook in the United Kingdom, where the competition is increasing every day, provides the focus of the second day.

EUROPE AND THE NORDIC COUNTRIES Stockholm, 9 & 10 October, 1989

How EFTA and the European Community will develop their relationship is a subject of vital concern to businesses in the Nordic EFTA countries and it will be one of the principal themes of the FT Stockholm Conference in October. Kjell-Olof Follett, Kalevi Sorokin, Johan Gahr Store and Thorstein Olausson will give Nordic government views on this question and Niels Helveg Petersen will add a Danish viewpoint.

The Nordic business community includes many companies which have already developed sophisticated approaches to the Single European Market and these will be addressed by Gerhard Heiberg, Kai Hammerich, Harald Norvik, Bo Ramfors, John Quilter, Anders Ljungh and Pasvo Rantanen of Nokia.

BUSINESS WITH SPAIN: STRATEGIES FOR 1992 & BEYOND Madrid, 6 & 7 November, 1989

With the continuing international interest in Spain, the Financial Times is arranging this Autumn its fourth Business with Spain Forum. To be organised in association with Expansion, the conference will focus on the economic outlook for Spain and Europe and then go on to assess a number of major issues of interest to the banking and international business community.

WORLD SHIPPING IN THE 90s Amsterdam, 14 & 15 November, 1989

The FT proposes to stage a major conference to coincide with the Europort 89 Exhibition. After the difficulties of the past few years, the hopes and aims are for a recovery in the world shipping industry. The aim of this conference is to examine current trends and look at the industry's prospects and opportunities for the long term.

All enquiries should be addressed to: Financial Times Conference Organisation, 726 Jermy Street, London SW1Y 4JU Tel: (01-925 2323 (24-hour answering service)) Telex: 27347 FT CONF G Fax: 01-625 2125

FINANCIAL

TODAY COMPANY MEETINGS- Electron House, Howard Hotel, Temple Place, Strand, W.C. 12 00. Harmony Leisure, Old Thameside Inn, Clink Street, Southwark, S.E. 10 00. Menzies-Swin, Whately Hall Hotel, Barbury, Oxon, 3 00. Reed Time Control, Essex House, Elton Way, Watford, 12 00. Stocklake Hodge, Rex Brothers Bankers, 1, Alderman's Walk, E.C. 10 00. BOARD MEETINGS- CALA Dalry Green (Emms) Macklow (A.A.) Belfares BSH Grp. Bourne End Props. Biological Colourgraphic Computer People Deas & Cowes EIS Ex-Lands Geol Petroleum Hamilton Oil Inchange Morgan Crucible Mowlem (L) Staxley Tern Thrasle Trinity Int. UCL Friendly Invs. DIVIDEND & INTEREST PAYMENTS- A&S Ind. 0.5p. Anglo Irish, Pp. Rd. Pl. Sahrts Christiania Bank OG Kreditkasse Frg. Rate Nts. 1989 \$700.75 Do. Bull Frg. Rate Nts. 1989 \$335.31 Craighorn Labs. 4p Ferrand Int. Signal 1.7p Leeds Permanent Bldg. Society Frg. Rate Nts. 1986 \$37.82 Newland O.S.P. Oil & Natural Gas Commission Gtd. Frg. Rate Nts. 1996 \$565.42 Prism Leisure 3p Ream (Wm) 1.04p Reuters Hodge, 3.8p Southern Property Hodge, 2p Do. Pl. ASBFG Stanley Leisure 2.75p Stocklake Hodge, 12p Swanik Exportcredit Frg. Rate Nts. 1986 \$252.16 Texaco \$5

TOMORROW COMPANY MEETINGS- British Bloodstock Agency, Oseansary House, 125, High Street, Newmarket, 12 00. FK8 Grp., Hospitality Centra, Chelsea Harbour, S.W. 12 00. Sock Shop Int., 7, Devonshire Square, E.C. 9 00. BOARD MEETINGS- Finlay Everest Foods GT Venture Inv. Galah Merivale Moore Reedy Usual Remon Inc. Interim Beauford Bonrose Bourne Canning (W.) Clifton Cards Cyma Petroleum Cresta Davis (Godfrey) Exquisite Clothes Garon Glasgow Inc. Tel. Hewitt (L) Iceland Frozen Foods Jeyes Grp. PCT River & Mercantile Am. Tel. Starlight Try Grp. Westall WEDNESDAY SEPTEMBER 20 COMPANY MEETINGS- Aerospace Engineering, Blunston House Hotel, Blunston, Swindon, 12 15. ASDA Grp., Pudsey Civic Hall, Dewsons Corner, Pudsey, Leeds, 2 30. Booth Inds., Worsley Court House, Worsley, Manchester, 11 30. Courts (Furniture), Barber-Surgens Hall, Monkwell Square, E.C. 12 00. Gibbon Lyons Grp., 30b, Wimpole Street, W., 12 00. Oceanic's Grp., Chartered Insurance Institute, 20, Aldermanbury, E.C. 12 00. BOARD MEETINGS- Barrat Devo. Hela Glass Minoro Zambia Copper Bantalis Britannia Grp. Connel Estates & General Fairhaven Int. Fitch-PS Follet Hampden Homecare Hornby Grp. Jones & Shipman LGW Mayflower Corp. Pittard Garner RPI Grp. Silokene Lubricants Sovereign Oil & Gas SATURDAY SEPTEMBER 23 DIVIDEND & INTEREST PAYMENTS- Essex Water 3.5% New 1.75p Do. 3.5% Cons. 1.75p European Inv. Bank 11% Ln. 2002 5 2pc. SUNDAY SEPTEMBER 24 DIVIDEND & INTEREST PAYMENTS- Asian Development Bank 10 1/4 % Ln. 2005 5 2pc. Greenall Whitley 10 1/2 % Ln. 2014 5pc. Int. Bank for Recovery & Dev. 9 1/2 % Ln. 2010 4 1/2 pc. Sidlaw Grp. 7 1/2 % Ln. 2003/08 3 1/2 pc. Spelsa Kingdom of 11 1/4 % Ln. 2010 5 1/2 pc. Treasury 2 1/4 % Ln. 2001 21.725

West Midlands The Financial Times proposes to publish this survey on: 18th October 1989 For a full editorial synopsis and advertisement details, please contact: Paul M. Jefferis/Anthony G. Hayes on 021-454-0922 or write to him at: George House George Road Edgbaston Birmingham B15 1PG FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

MOTOR CAR ADVERTISING appears every Saturday in the WEEKEND FT. REACH THE RIGHT READERS by advertising now Telephone RICHARD HUGGINS 01-873 3236/ 01-407 5635 or JONATHAN STANTON 01-873 3643/01-407 5739

SWEDEN The Financial Times proposes to publish a Survey on the above on 2 OCTOBER 1989 For a full editorial synopsis and advertisement details, please contact: CHRIS SCHAANNING OR GILLIAN KING on 01-873 3428 or 4823 or write to them at: Number One, Southwark Bridge London SE1 9HL. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

COMPANY NOTICES

Ford Following the DIVIDEND DECLARATION by the Company on 13 July 1989 NOTICE is now given that the following DISTRIBUTION will become payable on or after 18 September 1989. Gross Distribution per unit 3.75 cents Less 15% USA Withholding Tax 0.56 cents Converted at \$1.55 3.19 cents \$0.02056448 Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, Stock Office Services, Second Floor, 20 Old Broad Street, London, EC2, on special obtainable from that Office.

KENWOODS RENTAL QUALITY FURNISHED FLATS AND HOUSES Short and Long Lets 23 Spring St., London W2 1JA Tel: 01-402 2271 Telex: 25271 Fax: (01) 262 3750

CANADIAN PACIFIC LIMITED At a meeting of the Board of Directors held today, a quarterly dividend of twenty-three cents (23c) Canadian per share on the outstanding Ordinary Shares was declared, payable on October 20, 1989, to holders of record at the close of business on September 27, 1989.

CONTRACTS & TENDERS

WESTERN HEALTH AND SOCIAL SERVICES BOARD NORTHERN IRELAND TENDERS FOR LAUNDRY AND LINEN RENTAL SERVICES Tenders are invited for the provision of Laundry and Linen Rental Services within the Western Health and Social Services Board's Omagh and Fermanagh Units of Management.

RENTALS SW1 Exact mod opt in central location. Air cond reception, 9 ft 2 1/2 shw, bath, one shwr, balcony, parking avail. \$450 pr. COOTER 01 628 6281

COUNTRY HOME ADVERTISING appears every Saturday in the Weekend FT. For further information please call Kimberly Taylor on 01-875 3231/4885.

ANGLO GROUP PLC (Registered in England - No. 210279) Extraordinary Resolution of the holders of 9 1/2 % Convertible Unsecured Bonds due 1999 Notice is hereby given that at a meeting of the holders of 9 1/2 % Convertible Unsecured Bonds due 1999 of Anglo Group Plc held on 31st August 1989 the resolution of which notice was given by publication in the Financial Times on 9th August 1989 was passed as an Extraordinary Resolution in accordance with the provisions contained in the Fourth Schedule to the Trust Deed dated 16th June 1989 constituting the 9 1/2 % Convertible Unsecured Bonds due 1999.

U.S. \$100,000,000 BBL (Cayman) Limited (Incorporated as a limited liability company in the Cayman Islands) Guaranteed Floating Rate Notes Due 2000 Unconditionally guaranteed by Bangkok Bank Limited (Incorporated with limited liability in the Kingdom of Thailand) Notice is hereby given that the interest payable on the relevant Interest Payment Date, October 16, 1989 for the period April 14, 1989 to October 15, 1989 against Coupon No. 9 in respect of US\$100,000 nominal of the Notes will be US\$481.48.

Christiania Bank og Kreditkasse (Incorporated in the Kingdom of Norway with limited liability) U.S.\$100,000,000 Bull Floating Rate Notes Due 1991 Notice is hereby given that the Rate of Interest has been fixed at 8.13869% and that the interest payable on the relevant Interest Payment Date March 19, 1990 against Coupon No. 8 in respect of US\$100,000 nominal of the Notes will be US\$411.46 and in respect of US\$250,000 nominal Notes will be US\$1,028.40.

White Knights to hold the fort. The absence of a key executive can be crippling. Our comprehensive register of high calibre, experienced and highly motivated executives provides the right people to shield you from its impact. Contact Derek Wallington on 01-867 6737. Ernst & Young 7 Rolls Buildings, Fetter Lane, London EC4A 1NH

FINANCIAL TIMES SURVEY



A diversified local economy and a high proportion of small, independent businesses have

helped Leicestershire survive the painful blows to its traditional industries, such as textiles. Yet, as Richard Tomkins reports, there is no room for complacency.

Expanding the frontiers

"LEICESTERSHIRE is a county that's undersold itself," says Mr Tommy Thompson, the county council's director of planning and transportation. "Here we are, right at the centre of the country, and yet nobody knows much about us," he remarks.

Mr Thompson is probably right. Think of Leicestershire and what images spring to mind? A large Sillton cheese? A succulent Melton Mowbray pork pie? The Quorn hunt in full cry over the wooded slopes?

None of these images is wildly inaccurate. Leicestershire still has the feel of a predominantly rural county in which food, farming and village life play an important part. But that is only part of the story.

Perhaps the more surprising aspect of Leicestershire is that it contains one of the UK's highest concentrations of manufacturing industry. No less than 40 per cent of the county's workforce is employed in manufacturing, compared with 34 per cent for the East Midlands and just 25 per cent for the UK as a whole.

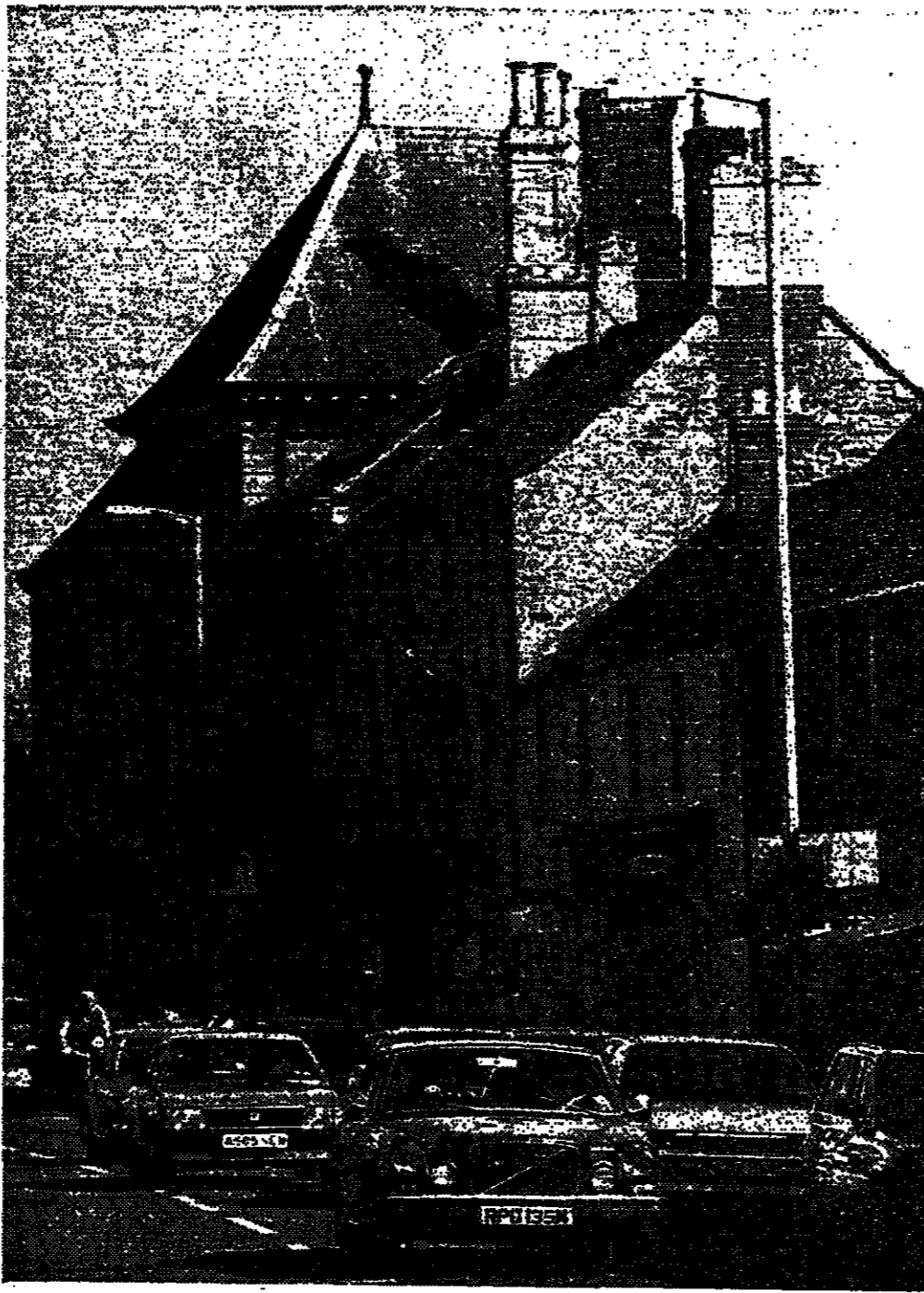
Insofar as the county is known at all for this manufacturing activity, it is usually for its textiles industry. Well over

1,000 clothing and footwear manufacturers are clustered around Leicester itself, and to a lesser extent around Coalville and Loughborough.

Ranging in size from sweatshops in the backstreets to giants such as Corah and Courtauld, these companies turn out knitted goods, hosiery, and finished goods such as T-shirts, as well as shoes. Between them they employ 50,000 people - just over 36 per cent of the county's manufacturing workforce.

Other industries closely associated with Leicestershire are mining, agriculture and mechanical engineering. In the engineering sector, the machine tool industry in particular has a long history in the county and still plays a prominent role in the local economy.

Yet the presence of these industries begs another question about Leicestershire. If textiles manufacturing is under intense competitive pressure from imports, and most of the county's coal mines have closed, and agricultural employment is in long-term decline, and the machine tool industry is a fraction of its former size, why is Leicestershire's unemployment rate, at 4.9 per cent, among the lowest



The village of Oakham in Leicestershire: one of the most popular and attractive in the county

Leicestershire

in the country?

Leicestershire's traditional industries have, indeed, suffered. Job losses in textiles and footwear are a painfully frequent occurrence: only last month Estounges, a shoemaker employing 530 people in Earl Shilton and Coalville, called in the receiver.

The run-down of the Leicestershire coalfield, meanwhile,

has seen the loss of at least 4,500 jobs since the beginning of the decade. Agricultural employment fell by an estimated 2,000 jobs to less than 8,000 jobs in the nine years to 1987. And the machine tool industry is no stranger to closures such as last year's demise of the Ex-Cell-O plant in Leicester, with the loss of 250 jobs.

But a number of factors have combined to prevent Leicestershire falling victim to the debilitating levels of unemployment still lingering in some of Britain's heavily industrialised areas.

One is that, for all the county's dependence on textiles, its economy is relatively diversified compared with that of, say, the West Midlands. So

while traditional industries have been shedding workers, newer ones such as printing and publishing, or rubber and plastics, have been quietly expanding.

The food and drink industry, for example, now among the county's largest employers with a payroll of 13,400, is estimated to have taken on 3,000 workers between 1982 and 1987. Another reason is that the county's economy is characterised by an unusually high proportion of small, independent businesses - thanks in no small part to the efforts of enterprising Asians whose community accounts for a quarter of Leicester city's population.

Of the estimated 4,000 manufacturing businesses in Leicestershire, some 80 per cent employ less than 50 people, and all but 17 per cent are independently owned. Mr David Wilson, Leicester director of Si, the venture capital organisation, says this makes for a culture which is in marked contrast

Leicester, although the biggest city in the East Midlands, has failed to establish itself as the region's commercial centre

with that of north-east England, where he was previously based.

"It's the difference between an employee and an employer culture," he says. "In Newcastle upon Tyne, when somebody lost their job, it was always a case of 'Where can I get another?' rather than trying to do something for themselves. The attitude in Leicestershire is far more entrepreneurial."

There is, however, no room for complacency over Leicestershire's low unemployment level. There are warning signals in the county's economy that cannot be ignored.

Looked at positively, Leicestershire's unusually heavy orientation towards manufacturing illustrates the resilience of the county's industrial base. But on the negative side, it is also an indication of Leicestershire's lack of success in building up a strong service sector.

This matters because the continuing drive to improve productivity is causing manufacturing industry everywhere to shed jobs. In Leicestershire, productivity in terms of output per employee is already badly lagging the UK average. The disturbing implication is that its manufacturers face a choice between accelerating the pace of job losses now, or eventually going into decline.

Elsewhere in Britain, it is

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the service sector that has picked up the running from manufacturing industry in terms of supplying employment. Service sector growth in Leicestershire, however, has been relatively sluggish.

Leicester, although the biggest city in the East Midlands, has failed to establish itself as the region's commercial centre against competition from Nottingham and, to a lesser extent, Derby. Too often, the big office projects and retail schemes have gone to its neighbours.

It would be wrong, though, to overdo the gloom. The service sector is growing in Leicestershire, and there are signs that the pace is accelerating, particularly following the removal of two obstacles to the city's development.

One of these was the excessive amount of speculative office development that took place in Leicester during the 1960s. This left it with an overhang of empty, poor-quality and out-of-date property that depressed rental values and discouraged further building.

Suddenly, however, there are signs of life in the office market. For the first time since 1974, there are substantial developments under way albeit grant-aided - with Peat House going up in the city centre's East Street and Royal Insurance building a regional headquarters close by.

Another obstacle to development in Leicester had been the uncertainty caused by a long-standing application to develop a large out-of-town shopping centre near Junction 21 of the M1.

The Environment Secretary's refusal of this application last year opened the way for other retail developments to take place in Leicester's latterly uninspiring city centre - notably, a £100m scheme called The Shires and the £300m Leicester Centre.

Elsewhere in the county, Leicestershire's central location and good communications are attracting investment. Distribution is emerging as a significant sector, most obviously with the vast and aptly-named Magna Park complex springing up near the M1 at Lutterworth.

Business and industry are also following the motorway, with the high-quality Meridian Business Park at the junction of the M1 and M69 soon to be followed by the nearby Grove Park development, an office

and light industrial park which will include a hotel and conference centre.

One respect in which Leicestershire is particularly heavily blessed is higher education. The county has three of the East Midlands' five universities and polytechnics - Leicester University, Loughborough University and Leicester Polytechnic - and each is an acknowledged centre of excellence in its specialist field.

Other positive indicators, meanwhile, include the decision by Toyota to build its European car assembly plant near to Leicestershire's north-western boundary; a string of proposals to build new villages of 1,000 to 3,000 dwellings in the Leicestershire countryside; the planned re-opening of passenger services on the railway line linking Leicester with Burton-upon-Trent in Staffordshire; and the long-term trend among businesses in the south-east to move out along the motorways stretching to the north.

Mr Bob Anderson, regional director of the Department of Trade and Industry in the East Midlands, points out that if Leicestershire seems to be developing but slowly, change there is necessarily a piece-meal affair.

With a population of 960,000, it is not, after all, a big county.

Several factors have helped to prevent the county falling victim to the debilitating levels of unemployment found elsewhere

"It's fine to talk about development in Leicestershire, but it has to be done on a careful and selective basis," he says.

"The number of people registered unemployed in Leicestershire is less than 20,000, so you simply can't expect to move large blocks of industry in and then find the workforce there to do the job."

For too long, perhaps, Leicestershire has been a county with a reputation for being inward-looking and independent. Today, it is opening its frontiers, but with just a hint of nervousness over the experiment. It is coming out of its shell, but slowly.

Simply successful.....



Leicestershire

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For more information on development opportunities contact David Dugdale, Economic Development Officer, Department of Planning and Transportation, Leicestershire County Council, Glenfield, Leicester (0533-317886).

LEICESTERSHIRE 2

Falling demand is causing the textile industry problems, writes Alice Rawsthorn

Tough times for the knitwear sector

FOUR hundred years ago an obscure Nottinghamshire cleric, the Rev William Lee, made a discovery that ushered in a new era of prosperity not only for Nottinghamshire, but for the neighbouring county of Leicestershire too.

The Rev Lee invented the knitting frame, a simple mechanical device to make the socks and stockings his parishioners had been knitting by hand. Its invention laid the foundations for today's international knitting industry and turned the East Midlands into one of the chief textile production centres of the UK.

This year is the 400th anniversary of the invention of the knitting frame. The Leicestershire and Nottinghamshire textile companies are marking the anniversary with a series of celebratory events. But the celebrations will be somewhat hollow: the anniversary coincides with a troubled time for the UK knitting industry.

In the past 18 months the textile companies - which provide one of the largest single sources of employment in Leicestershire - have been plunged into intensely competitive trading conditions. The knitting industry has been hit by everything from increasing imports, to unfavourable fashions and inclement weather.

As a result the Leicestershire textile companies have suffered severe pressure on output and profitability. Dozens of companies in the county have been forced to close and thousands of workers have lost their jobs. No area of the industry has emerged unscathed from the crisis. The companies forced into receivership have ranged from the small sweatshops on the back streets of Leicester to Genetic,

once one of the most dynamic of the city's ethnic enterprises, which had a workforce of several hundred.

Coats Vijella and Courtaulds, the international textile groups, have been forced to rationalise their activities. The problems of Corah, one of the Leicestershire industry, became so grave that it fell victim to a takeover by Charterhall, the Australian investment

In the past 18 months the industry has faced problem after problem. Perhaps the biggest of all has been the rise in imports fuelled by the strength of sterling against the US dollar and the Far Eastern currencies linked to it

group, late last year. A few weeks ago Charterhall agreed terms to bid for Textured Jersey, another significant player in the knitting sector with plants in Corby and Leicester. The integration of Corah's knitted fabric interests with those of Textured Jersey seems certain to cause more redundancies.

Luckily for the redundant textile workers, the local economy has been sufficiently buoyant for many of them to have found new jobs in other emerging industries. But the crisis in textiles is still dealing devastating damage to one of Leicestershire's most traditional industries.

Leicestershire is one of the main centres of textile production in the UK. The local textile companies are chiefly concerned with the manufacture of knitted fabrics and finished garments such as T-shirts, track suits and socks. A significant number of the UK's 70,000

or so knitting workers are employed in the county.

Hitherto the Leicestershire companies had been sheltered from the troubles of the rest of the textile industry. In the early 1970s they were shielded from the increase in oil prices by the expansion of man-made fibres into new product sectors. In the economic recession of the early 1980s, they were protected by the boom in track

suits and leisurewear. But in the past 18 months the Leicestershire industry has struggled against problem after problem. As Mr John Harrison, director of the Knitting Industries Federation, says, the industry has experienced "its toughest period in modern times."

Perhaps the biggest problem of all has been the apparently inexorable increase in imports fuelled by the strength of sterling against the US dollar and the Far Eastern currencies linked to it.

All in all, the influx of knitting imports increased by 22 per cent in 1987 and by 12 per

cent to £1.6bn in 1988. For two successive years the import quotas, negotiated under the terms of the Multi-Fibre Arrangement, have been fully utilised.

But some sectors of the Leicestershire industry have suffered even more than others. Hosiery manufacturers, for example, have faced a flood of cheap imported socks from Turkey and Indonesia. The influx of Turkish socks doubled to almost 14m pairs last year. The influx of Indonesian socks quadrupled to nearly 11m pairs.

This sudden surge of imports has eroded the market share of the Leicestershire sock companies. At the same time the low price of the Turkish and Indonesian socks - which come into the country at 23p and 25p a pair respectively, in other words for less than the cost of raw materials to the East Midlands manufacturers - has imposed pressure on profitability.

Similarly the T-shirt producers, which are predominantly small companies, have been hit by a stream of imports from China. The Chinese T-shirts are being sold for an average price of 76p each, compared with an ex-factory price of £1 for the Leicestershire products.

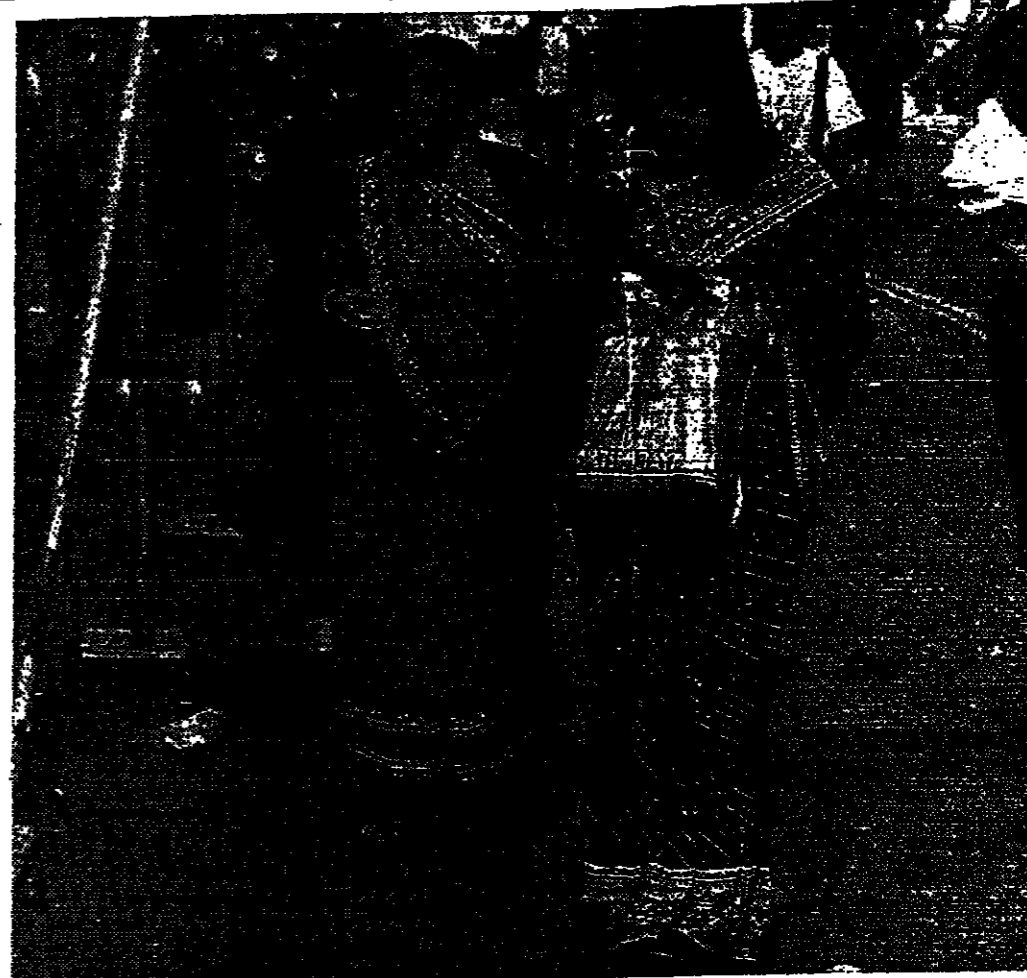
Increasing imports are one problem, but many areas of the Leicestershire industry have also been beset by a dramatic downturn in demand.

Some sectors, such as knitwear, have been depressed by the swing in fashion towards the slick, tailored look. Others, like hosiery, have been affected by the combination of an unusually mild winter and the long, hot summer. Every area of the industry has suffered from the instability of the retail sector where key customers such as Next, which is based in Leicester, have encountered difficulties.

This downturn in demand has exaggerated the impact of the increase in imports. The Leicestershire companies have been left to struggle for a smaller share of a shrinking market.

Overall the UK knitting industry suffered a fall in output, in real terms, to £1.6bn last year and 10,000 knitting workers, many of them from Leicestershire, have lost their jobs since last summer. In the short term the knitting companies can only hope that the recent fall in the value of the pound against the dollar will alleviate the pressure from imports and that the new "ethnic" look will revive demand for chunky knitwear.

But the Leicestershire companies must also assess how their present problems will affect future patterns of investment in an industry which - even before the current crisis - was far less efficient than many of its European competitors.



Asians are a big force in Leicester's textile industry. But poor trading has left many casualties, including Genetic, once one of the city's largest ethnic enterprises

KEY FACTS

Table with multiple sections: DEMOGRAPHIC, SOCIO-ECONOMIC, ECONOMY, PROPERTY, COMMUNICATIONS. Includes statistics for population, age structure, car ownership, unemployment, and property prices.

PROFILE: Charterhall

Aggressive predator on the trail of the industry's 'dogs'

THE shark-infested waters of the Australian financial community once seemed a world away from the knitting factories of Leicestershire's traditional textile industry.

Yet in the last year or so Mr Russell Goward, one of the youngest and most aggressive of the new breed of Australian financiers, has emerged as a powerful - if somewhat improbable - player in the traditional world of Leicestershire textiles.

At the end of last year Mr Goward took over Corah - which has dominated the local industry for decades from its colossal manufacturing complex in the centre of the Leicester - for £27m through Charterhall, the company that controls his UK interests. A few weeks ago he augmented his interests by buying Textured Jersey, which has factories in Leicester and at nearby Corby in Northamptonshire, for £7m.

At first glance it seems strange for a professional investor to choose textiles, particularly in its present parlous state, as an area for investment.

But Mr Goward is quite clear as to the rationale for his choice.

"The textile industry is a dog," he said from Charterhall's headquarters near Victoria Station in London. "And dogs are the only kind of industries I am interested in."

Since Mr Goward first surfaced in the UK three years ago he has become embroiled with a pack of "dogs". His tactic is to scout about for classically undervalued companies; generally those that have fallen on troubled times in unattractive

sectors. He then builds up a stake in the company and providing he can persuade the board to agree - mounts a bid.

Some boards have agreed. Others have not. Mr Goward has emerged with a motley assortment of stakes and significant interests in two sectors: footwear retailing and textiles. Almost all his textile interests are in Leicestershire.

Mr Goward began with Corah, one of the bastions of the local industry. Corah was once a lynchpin of East Midlands textiles but in recent years it has floundered. Its troubles began in the mid-1980s when it struggled to get to grips with an ill-fated acquisition and then suffered a strike at one of its main factories.

By 1987 Corah had lurched into losses. It was then that Mr John Foulkes was drafted in, from a subsidiary of Hanson, as chief executive with a brief to steer the business back to recovery.

Mr Foulkes implemented a painful programme of restructuring. By the end of last year, when Mr Goward arrived, Corah had already shed more than 1,000 employees from an original workforce of 5,000. It had also withdrawn from knit-

wear and sold its socks business to Courtaulds. Mr Goward is full of praise for Mr Foulkes' strategy. "He did everything we would have decided to do ourselves," he said. He admits that Mr Foulkes' departure two months ago - to join the Magnet Do-It-Yourself group - was "a blow". However, he says that the new management team will continue to implement the same strategy. It is an indication of the extent of the rationalisation that Corah now employs about 2,400 people,

to prove that it can succeed in integrating the two companies. At first glance the sheer speed of Mr Goward's deals and the audacity of his ambition seems impressive. But the City of London has seemed anything but impressed by him.

So far the City has been reluctant to see Mr Goward as anything other than yet another of the Antipodean adventurers who have wheeled and dealt their way on to the London stock market. A succession of well-publicised problems from Mr Foulkes' departure to a legal case against Great Universal Stores to try to recoup part of the purchase price for the Leunards shoe chain - has seemed to confirm its suspicions.

Charterhall's share price has languished and will continue to do so until Mr Goward can prove he has the management mettle to run businesses, as well as to buy them. He insists that he is "not just another deal maker", but the City is still waiting to be convinced.

In the meantime he has set his sights on yet more deals in textiles. The industry's present problems only make him even more optimistic about clinching another deal. "When times are tough, prices come down," he said. "There are lots of dog companies around."

Alice Rawsthorn

Advertisement for Leicester Mercury newspaper. Text: 'Business Day Corah boss', 'Leicester Mercury', 'PEOPLE IN BUSINESS... Read more about you every night in Business News only in the Leicester Mercury'. Contact info: St. George Street, Leicester LE1 9FQ. Telephone: (0533) 512512.

Advertisement for British Shoe. Text: 'WE'VE LEFT OUR MARK ALL OVER THE UK AND EUROPE'. 'Europe's biggest footwear retailer is celebrating 25 successful years in Leicester. With over 2,650 outlets in over 650 European towns and cities, we serve millions of customers every week throughout the UK, Netherlands and Germany.'

Advertisement for British Shoe 25 years in Leicester. Text: 'British Shoe, Sunningdale Road, Leicester LE3 1UR Tel: (0533) 320202. The footwear division of Sears PLC.'

Advertisement for The Noise Control Centre. Text: 'Have you joined the QUIET REVOLUTION? From January 1st 1990 new legislation will demand lower noise levels in the workplaces, which will compel companies to take appropriate remedial action.'

Advertisement for Leicester Racecourse. Text: 'LEICESTER RACECOURSE NEW HOSPITALITY BOXES available from 1st January 1990. Ideal for corporate and private entertaining. Excellent view of the racecourse. 28 race meetings scheduled each year.'

Advertisement for new business opportunities in North West Leicestershire. Text: 'New Opportunities for Business. In North West Leicestershire the new M42/A42 route is opening up exciting opportunities for business development with over 10 million customers within an hour's drive and access to a large and skilled labour force.'

LEICESTERSHIRE 3

MACHINE TOOLS SECTOR

Cut down to size

LEICESTER is now one of the most important centres in the UK's much shrunken but currently profitable machine tool industry.

Bridgeport, the largest producer of machine tools in the UK has its British headquarters and largest production plant in the city.

Jones & Shipman, housed in a straggling factory complex once leased by Lockheed from the then Ministry of Aircraft Production, is also one of the largest producers.

Frederick Pollard, a family owned manufacturer of drills and special purpose machines which subsequently became Wyvern, which makes vertical turning lathes and Moss Machine Tools, a competitor of Pollard's, all produce machines in the city.

However, Leicester has not escaped some of the shrinkage and upheavals that have afflicted chunks of the machine tool sector.

In the past few years, the Ex-Cell-O group, a manufacturer of transfer machinery for car and aerospace plants has been the subject of a buy-out from its US owners by managers of its West German division. In the process the group's Leicester plant was shut down.

Wadkin, which until recently made machining centres in Leicester was taken over by DeVlieg of the US and its production subsequently moved to Lutetworth.

Nevertheless, the production of machine tools in Leicester is probably higher measured in cash sales than in any other UK city. It also has a healthy, if small subsidiary equipment sector.

Marwins, for example, which is part of United Industries, makes cutting and milling tools. It was once part of a group which actually made complete machine tools in Leicester but that operation was closed in the early 1970s.

Machine tool suppliers are happy with operating in Leicester, stressing, in particular, the excellent access to the country's motorway structure. However, obtaining skilled labour is a growing problem.

The history of machine tool making in the city stretches back to the turn of the century and many of Leicester's machine tool companies actually came from the same root.

Back in 1998, Fred Shipman started a machine tool company and, over the following three years, was joined by Frederick Pollard and A Jones. By 1905, Jones, Pollard and Shipman was the name of a single business.

In 1911, Pollard left to set up his own business, Frederick Pollard, and the company he left was renamed Jones & Shipman.

Meanwhile, one of Jones & Shipman's leading managers, Mr Adcock left the company to help form Adcock and Shipley, another machine tool business which subsequently became Bridgeport.

Bridgeport has US owners following a management buy-out two years ago from its then North American parent, Textron.

The company in the UK has sales of about \$80m based on production from its clean, up to date plant in Leicester and another facility in Bridlington, North Yorkshire. Total UK employment is 650.

The company manufactures non-computer controlled milling machines, together with computer controlled horizontal and vertical machining centres and milling machines.

Some of the larger machines it makes were designed by Yasuda of Japan but Bridgeport uses European, and largely British, components, except for some of the controls. A small element of Bridgeport's turnover comes from selling equipment made by Japan's Sockit.

Bridgeport is in the midst of an excellent trading period, despite competition at the lower end of the market from Taiwanese producers.

Two years ago it was producing 13 CNC machining centres a month at Leicester; today output is running at 70 a month. From castings to final machine completion takes just 14 days.

Bridgeport's machines range in price from about \$5,000 to \$125,000. The Bridgeport group, which includes production facilities in the US and Singapore, claims 55 per cent of western world sales of standard turret milling machines.

Jones & Shipman had a difficult time during the recession of the early 1980s and the period immediately after that and has been fighting its way back since then. Sales last year

at just over £21m were about the same as in 1980.

The company, which moved to its present site in 1946, makes grinding and honing machines as well as small tools. It is one of the few remaining machine tool companies which retain a stock market listing.

Some of its specialist machines are sold to leading manufacturers such as Lucas, British Aerospace and Rolls-Royce. It sells 60 per cent of its grinding equipment overseas, a sign of the greater export orientation of the British machine tool industry. Bridgeport exports about 75 per cent of its output.

Jones & Shipman, which was very slow into computer controlled machines but has been extending its range of such equipment from about 1985, manufactures machines selling typically from £10,000 to £150,000.

It has an order though from Austin Rover for a six-spindle honing machine for conrods which will cost the purchaser close to \$400,000.

Jones & Shipman concedes that it has lost market share over the past two years in low cost grinding machines to Taiwanese makers. Visitors to its small technical centre within its factory, though, are shown new ranges of more sophisticated equipment which are being introduced to the market.

The chairman of Frederick Pollard is Mr Raymond Pollard, eldest grandson of the founder. The company employs just under 300 and had sales last year of £12m.

Most of this derives from manufacturing Pollard's own designed equipment. A substantial element also comes from selling machines made by Mori Seiki of Japan.

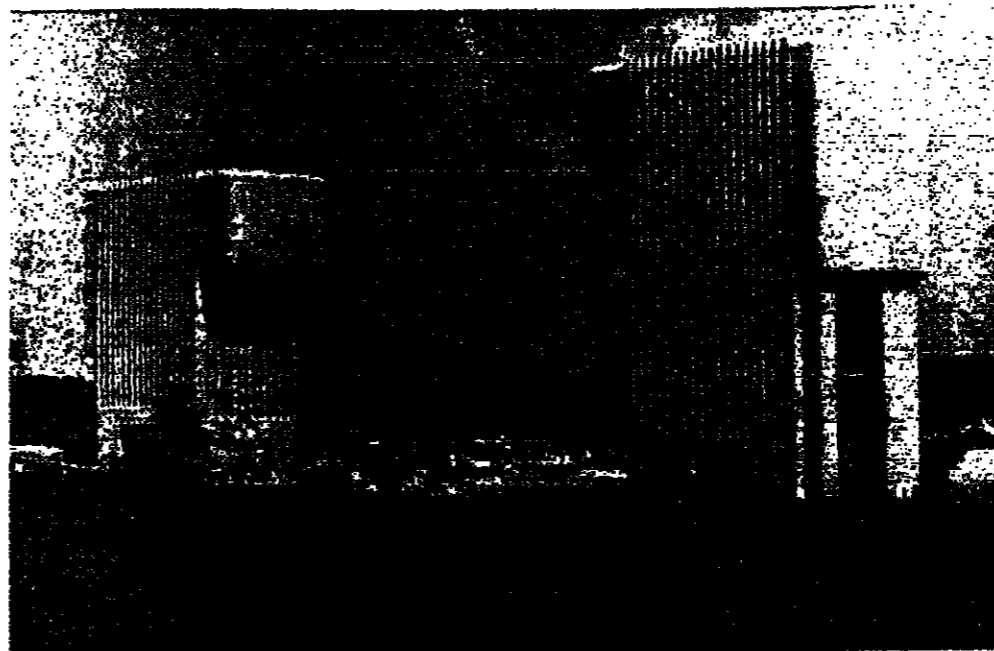
Pollard has been quoting to make a special purpose machine that will cost about \$800,000. However, it does not manufacture the really large transfer line machines for car and aerospace factories which Ex-Cell-O used to make in Leicester.

Mr Pollard describes the state of business for the company at the moment as very satisfying.

Nick Garnett

Robert Waterhouse on the end of a coal-mining era

The last rites for a profitable pit



Asfordby pit which has attracted Leicestershire miners from the Bagworth/Ellistown coalfield

WITHIN 18 months or so the Bagworth/Ellistown coalfield in Leicestershire, the last surviving colliery in the geologically isolated Leicestershire area, is to cease production. Closure will mark the end of a phased programme undertaken since the early 1980s and a mining era begun at Whitwick in 1930.

Mr Tony Deakin, British Coal's Central Area director, says that he expects Bagworth/Ellistown to be profitable to the death. In recent months it has broken records as one of the area's "big-hitters", or collieries producing more than 1m tonnes of saleable coal a year. During June miners there, working modern retreat-face methods, averaged 7.87 tonnes per man-shift compared with the UDM's precursor to a similar deal for the proposed Margam Mine in South Wales. But, Mr Moses asks, will miners be able to change the habits of a lifetime for a three week on, one week off flexible working routine?

Such doubts are met with scorn by Mr Neil Greatrex, the UDM's Nottingham president and national vice-president. "The six-day week agreement has been struck with us. We are honourable people, and we will stick to it," Mr Greatrex comments. "We didn't much like the idea of flexible working, but we have accepted its reality."

He stresses that decisions are taken in the light of future profitability. "At a moment like this of major commitment we always ask ourselves whether it is worth proceeding."

The test used for profitability is stern. Asfordby will be expected to return operating costs of around £1 per gigajoule compared with £1.45 in the north east area, currently the most effective coalfield, and £1.54 in Nottinghamshire.

As a comparison, open-casting operations in June 1988 had operating costs of £1.06 per gigajoule. Mr Moses admits that Asfordby will not be in the same league as Selby, where development costs already amount to £1.1bn. The key to Asfordby, he says, is the six-day week agreement signed with the UDM, the precursor to a similar deal for the proposed Margam Mine in South Wales. But, Mr Moses asks, will miners be able to change the habits of a lifetime for a three week on, one week off flexible working routine?

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He claims that British Coal would prefer to call a halt to Asfordby because of unexpected geological problems, and that they had hoped to use flexible working as an escape route. "Asfordby will be a white elephant," he says, "but

Development at Hawkhurst Moor, the proposed superpit in Warwickshire with much the same capacity as Asfordby, awaits the Environment Secretary's decision following a public inquiry. If it receives the go-ahead, parallel investment criteria will apply, Mr Moses says.

Ironically, the environmental outcry which first greeted the idea of mining in the Vale of Belvoir is far more muted today. By common consent, British Coal - which chose the least sensitive site for surface operations - has so far respected its promises on construction noise and nuisance. The worry must now be that Asfordby's potential contribution to the local economy, as Europe's single largest mine, is never fully realised.

Open-casting does cause residential problems, and the two Leicestershire sites are no exception. Coalfield North, near Coalville, has been worked since 1902. Its 122 hectares are expected to yield 7.5m tonnes when completed in 1992. A 231 hectare site at Lounge, near Ashby de la Zouch will provide 4m tonnes.

Applications exist for small extensions, and British Coal's Open-cast Executive is keen to stress its caring side. It so happens that the M42 Birmingham-Nottingham motorway construction crosses wetlands on the Lounge site. There are plans to establish a nature reserve at Lounge. In the meantime naturalists removed plants and amphibians from the motorway line to a temporary sanctuary at Peterborough only to learn that the frogs and toads had already made new homes for themselves at Lounge.

British Coal's Central Area operation is still directed from Coleorton Hall, the majestic Leicestershire country house built in 1804 for Sir George Beaumont, friend and patron of Wordsworth, Coleridge and Landseer among others. Coleorton is one of several Midlands seats which came into the coal board's ownership on nationalisation. Now that Leicestershire is deemed to be without coal and Central Area's operations are pushing south Coleorton seems a candidate for less technical pastimes.

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MERIDIAN	Total Ft ²	Car Spaces	Available
The Osiers	32,500	134	To be announced
South Point House	15,000	68	To be announced
Meridian Village	1,500-2,400	7-9	Spring 1990

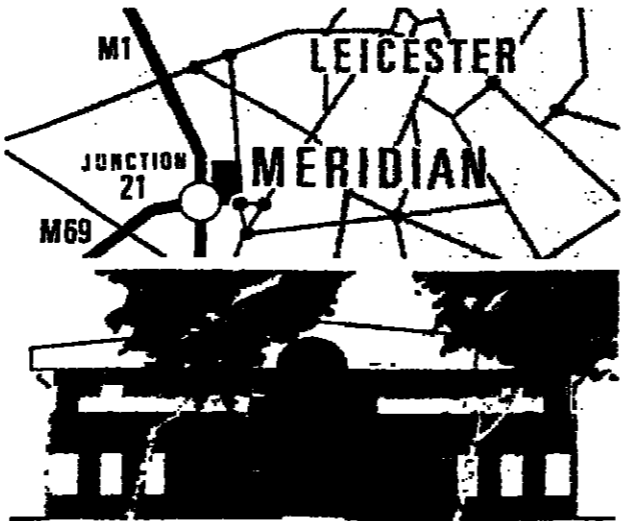
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For further information contact Paul Cross

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MERIDIAN	W/H	OFFICES	TOTAL FT ²	AVAILABLE
Plot 3	25,500	5,000	30,500	Immediate
Plot 4 (Unit 1)	10,000	2,000	12,000	Spring 1990
Plot 4 (Unit 2)	10,000	2,000	12,000	Spring 1990
Plot 5 (Unit 1)	15,000	3,000	18,000	Dec 1989
Plot 5 (Unit 2)	10,000	2,400	12,400	Dec 1989
Plot 18 (Unit B)	6,500	6,500	13,000	Oct 1989
Plot 19 (Unit A)	36,600	5,825	42,425	Summer 1990
Plot 20	27,350	3,060	30,410	Oct 1989
Plot 20 (Unit A)	16,940	3,060	19,900	Oct 1989
Plot 20 (Unit B)	11,415	1,120	12,535	Oct 1989
Plot 28	72,000	8,000	80,000	Autumn 1990

HAMILTON	W/H	OFFICES	TOTAL FT ²	AVAILABLE
Unit C3	5,750	600	6,350	Dec 1989
Block A	18,375	1,950	21,325	Immediate
Block B	16,275	1,500	17,775	Nov 1989
Block B1	9,000	750	9,750	Nov 1989
Block B2	1,775	750	2,525	Nov 1989

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LEICESTERSHIRE 4

EDUCATION

Thorny issues at county hall

OVER the years, Leicestershire education committee has to many represented the best of England's eclectic system. Created in 1974 from an amalgam of three education authorities, Leicestershire still maintains traditions of the city, the county and Rutland - tacked on at reorganisation - while encouraging innovative approaches.

Three comprehensive systems of secondary education run in parallel, the most individual being the former county area's lower schools for 11-14 year-olds and upper schools for 14-18 year-olds. There is also a small catholic system, mainly for 11-18 year-olds.

For the past nine years, Leicestershire has been a hung council and for four years the education committee has had no chairman. This came about when the then Alliance members declined to support the Conservative group, whose turn it was to take the chair, over budget proposals.

Each party has an education spokesperson. As the county's director of education, Mr Keith Wood-Allum, says: "Depending on how members are feeling somebody gets appointed to the chair. At the moment it's tending to be the Labour spokesman."

In fact, a sub-committee once proceeded with nobody in the chair. The advice education officers received was that, although they could not legally step in, so long as consensus prevailed the committee could continue to sit.

Consensus in times of drastic change to education methods, and to its administration, might seem an impossibility. But Leicestershire's practice is to develop complex issues in working groups so that detail is understood and attitudes explored by the time they come to committee.

As a democratic safeguard, Leicestershire runs a device called a five-member notice by which any committee decision formally opposed within a week by any five councillors is automatically referred back to next month's meeting. It is not uncommon for councillors from outside the education committee to employ such tactics on certain issues.

The biggest single issue every education authority is facing at present, with GCSE and national curriculum preparations over, is the local management of schools (LMS) provisions of the Education Reform Act. Leicestershire has been through a double consultation process with school governors, heads and parents before producing a report which goes to committee on 30 September.

This raises what Mr Wood-Allum calls a number of thorny issues, including the implications of local budgeting. But he is not so sure that power will necessarily slip much from county hall. "The fundamental point is that we will still determine how much there is to spend on education overall." What is new, he says, is



Keith Wood-Allum, director of education: faces problems with the implications of local budgeting

that schools will have an opportunity to move their spending allocation between expenditure heads.

The crunch comes with staffing. Teachers represent about 70 per cent of budget costs. School governors will have powers to appoint staff, decide on establishment strength and dispose of teachers if they so choose. "At the moment Leicestershire operates a no-redundancy policy. If a school's governors wished to make someone redundant against my advice it is open to my authority to ask them to meet the cost of the redundancy payment."

In the current climate, and given the new demands of the national curriculum, all education authorities are having

problems attracting and retaining the right calibre of staff. Leicestershire, however, sees itself reasonably well-placed, so far. Three teacher training establishments provide a good supply because people tend to stay in the county once they've got to know it. And career opportunities do exist.

"Leicestershire has a continuing tradition of expenditure on staff development and in-service training," says Mr Wood-Allum. "We've concentrated on working alongside schools, encouraging them to review their curriculum and organisation, to determine their own training needs. We've offered the resources and the support of a strength-

ened advisory service." Attracting teachers is one thing; combatting falling roles another. By and large, Leicestershire does not have a problem in primary schools. Two closed voluntarily last year, but the county's primary population is growing. The secondary trough came later than in most counties and will level out sooner, but overall numbers are falling.

The authority went through a three-year exercise to close an 11-14 school in Melton Mowbray where, in its opinion, reduced numbers made the school unviable. Faced with closure, the school's governors decided to back parent demands to opt in favour of grant maintained status. Their application was approved by

The county maintains its ability to innovate. For example, Leicestershire's Theatre in Education group of actor-teachers, is currently touring the county with a play on economic awareness

differentiated the curriculum must be consistent. After all, we're dealing with the same children. There are a lot of uncertainties about how grant maintained schools will operate, and there is ground for discussion on buying in services. But the onus is on the school itself."

Despite the demands of the national curriculum, the county maintains its ability to innovate. Mr Wood-Allum points to Leicestershire's Theatre in Education group of actor-teachers, currently touring the county with a home-produced play on the theme of economic awareness. A video on the subject of AIDS sold widely.

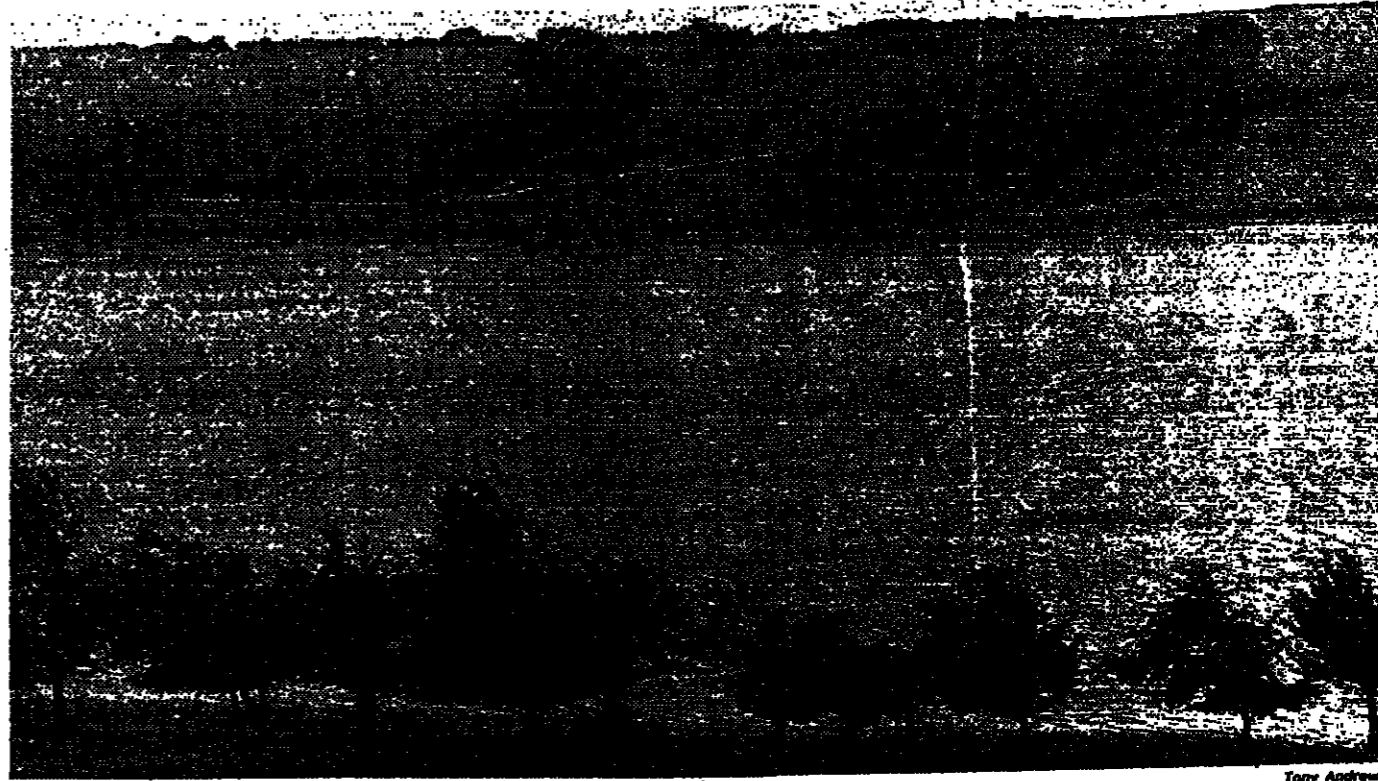
The authority has negotiated a Compact agreement in certain parts of Leicestershire, but the county is not in the forefront of TEC initiatives. Leicestershire's critics compare it unfavourably with Nottinghamshire and Derbyshire, where the links between education, training and industry are better developed. Mr Wood-Allum says that the county's lack of big employers is holding things back because they tend to be the basis of formal training.

"I believe it is our job, in consultation with industry to provide opportunities for vocational training of young people, have proper counselling systems and good liaison with employers." There is also an important role in retraining through further education and community colleges. Leicestershire recently appointed its own marketing officer to reinforce public awareness of courses. Community colleges, a county tradition, have a new relevance in provision of access courses for career changes.

Mr Wood-Allum says that the school will, of course, receive every help from his authority. Children who go there will begin and finish schooling with the LEA. However, the decision obviously hurts. "The knee-jerk reaction is to say that when local authorities go through all the processes of consultation and a school threatened with closure has an escape hole to become grant maintained all that does is pass the problem onto the next school."

"It remains to be seen how this school builds relationships in its new form with Melton's other schools. Although it is

Robert Waterhouse



The Rutland Water near Oakham, popular with anglers. Tourism in the county is quietly prosperous but can, and will, do better

TOURISM

Building on the pork pie image

TOURISM in Leicestershire is almost a mirror image of the county. It's a good product, with plenty of variety, many amenities but few large attractions, and it hides itself away. It is quietly prosperous but can, and will, do better.

Earlier this year Leicestershire County Council published a draft consultation strategy for tourism. It was the work of Mr Alex Holmes, the county's first tourism officer, who promptly left for the challenge of Cheshire.

His cogent analysis, together with commitment by the county, Leicester City Council and the English Tourist Board to a development programme, provides the impetus to propel Leicestershire into action.

Because it lacks a single attraction or an exhibition centre large enough to serve regional business, the county's tourism network has grown in a piecemeal fashion. A buoyant economy ensures heavy use of hotels from Mondays to Thursdays - only in Rutland, the former county which is now a Leicestershire district, does leisure tourism almost hold its own. But most business visitors stay just one night. It's not perceived as somewhere to linger.

There are places of interest, for sure. The most visited by far is Bradgate Park, where more than 1m people annually take a breath of country air. The fact that Bradgate Hall is the birthplace of Lady Jane Grey doesn't have much relevance; the hall is in ruins, though the history holds good. Leicestershire's other sites like the Bosworth Battlefield and Jewry Wall, Roman remains in the heart of Leicester, attract far fewer visitors.

It is not the county's or the tourism industry's intention to promote an Alton Towers or a big theme park "experience."



Leicester's Clock Tower

That, they feel, would be out of keeping with the scale of existing products. Rather, the proposed strategy suggests a sequence of themes: history, obviously; countryside, with emphasis on the Vale of Belvoir and Rutland; cheese and pies, based around Melton Mowbray and Stilton; industrial heritage, of which there is a surprising amount including the Moira blast furnace near Ashby de la Zouche and the Foston Locks shopping sports (Donington Park and Rutland Water); and family interests.

Because tourism is a low-key affair in Leicestershire, and starts from a modest base, the potential is high. But already it provides valuable income and jobs. Last year it was worth \$15m to the county economy, of which some \$20m came from overseas visitors.

About 7,600 jobs can be directly attributed to tourism, with a further 14,000 indirectly related. In East Midlands terms Leicestershire is just one of five counties with comparable statistics.

The county is unusually weighted to what is called in tourism jargon the VFR market. Visiting friends and relations is an excellent activity but by definition it's not a great revenue earner. Accordingly, it does not receive priority in the strategy proposals. Nor, perhaps surprisingly, does lucrative business tourism - for two reasons. First, it is not easily susceptible to marketing ploys, and second there is little spare weekday capacity anyway.

Three categories are seen as the growth markets: day visi-

tors; domestic weekend breaks; and the overseas leisure tourist. The logic here is that Leicestershire's location and good communications offer a day visitor potential, especially from the West Midlands; that weekend break visitors spend handsomely in response to creative marketing; and that Leicestershire should build on its already strong position with overseas visitors, who often don't share British notions about the "boring" Midlands.

There are, of course, ways in which Leicestershire's tourism product could be improved. The county's hotels, especially the smaller ones, need better all-round facilities like en-suite bathrooms, and because of the day-based nature of many visits there is a scarcity of self-catering establishments.

This is just the sort of venture which the county council is seeking to encourage through a new tourism business grant scheme, paid on a job-creation basis up to \$2,500. All the same, public participation in a fast-growing multi-million pound industry is pitifully low. Local authorities do what they can on restricted promotional budgets. The county council's \$40,000 and Leicester City Council's \$70,000 have to be spent very carefully

out for the East Midlands Tourist Board of a representative sample in London suggests that Leicestershire at least does not have an unfavourable image to combat. Along with Northants it is perceived as rural, relaxing and slightly quaint. So for next season the board is launching a new promotion linking the two counties as The Village Green of England.

"The industry is comfortable about this tie-up," says Mr John Dylan-Guy, director of the East Midlands Tourist Board. "Leicestershire has an accurate image. It is a question of upping awareness." People, he says, really do come to the county for pork pies and local ale.

The M25 has improved access no end. And the Leicester business hotels have learnt lessons from overprovision in the 1970s: there are genuine bargains available at weekends.

Robert Waterhouse

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LEICESTERSHIRE 5

East Midlands International Airport

More scheduled services are crucial to sustain growth

EAST Midlands International Airport's proximity to the M1 was highlighted tragically last January, when the diverted British Midlands London-Belfast flight crashed into the motorway bank at Kegworth.

The airport has sought to distance itself from the aftermath, though its emergency services played a leading part in the rescue operation. Mr Terry Lovett, the airport's managing director, says he sees no need for re-examining safety procedures in the light of Kegworth.

Airport growth was held to 5 per cent at 1.36m passengers in 1988-89 by a poor year for inclusive tours, but pre-tax profits grew by 32.9 per cent to £2.8m. Cargo recovered from a 20 per cent slump last year to record

between the two organisations. British Midland, based at Castle Donington, has scheduled flights which represent about 20 per cent of business

The authorities hope that the airport will become a hub for British Midland rather than Birmingham is to be for BA, attracting the smaller carriers

there. These reported big passenger increases during the past year. Despite its awkward mid-day timing, traffic on the Paris service was up 32 per cent. Glasgow saw a 34 per cent improvement, Amsterdam 17 per cent.

While praising British Midland's performance Mr Lovett stresses that his airport is not necessarily tied to one particular carrier. He hopes that it will become a hub for British Midland rather than Birmingham is to be for British Airways, attracting the smaller feeder carriers. He also suggests that the airport badly needs scheduled services to Brussels and Düsseldorf.

A decision not to proceed with expensive runway extensions for which planning permission was expiring has already justified itself, Mr Lovett believes. The latest generation of wide-bodied aircraft make the US East Coast available on full payload, and there is little sign yet of any long-

haul scheduled interest.

One senses a feeling almost of jealousy at the relative success of Manchester in beginning to attract the long-haul destinations, along with a realisation of just how tortuous this process tends to be in the UK.

However, Thomson Holidays have announced, for the first time, an inclusive tour flight from East Midlands to Orlando, Florida, in their 1990 brochure. The once-weekly flight, which calls in at Prestwick, is seen by Thomson's regional sales manager, Mr Floyd Ballantyne, as a market tester.

During last year Thomson tookover Horizon Holidays and this October, who were based at East Midlands. Thomson's commitment to the airport was



Terry Lovett, managing director of East Midlands International Airport, who has presided over a steady expansion in passenger and cargo traffic

underlined at the launch of the brochure. In a difficult year nationally, inclusive tour traffic is up 13 per cent at Castle

Donington, where Thomson has a 47 per cent market share. The company is to move Britannia's crew training centre

there from Luton.

So far the airport, owned jointly by Leicestershire, Derbyshire, Nottinghamshire and

Nottingham, has been able to expand within the restrictions of the public sector borrowing requirement.

Mr Lovett is confident that growth can continue primed by demand. With only minor improvements the airport will handle 2m passengers a year, he says, and a possible expansion to 7m by the turn of the century could be achieved without substantial capital expenditure. To do this, however, the airport must attract a whole new range of scheduled services.

Opening the M42 extension could prove a mixed blessing, since it puts Birmingham airport within 40 minutes of Derby and Nottingham. Significantly, East Midlands has sought to reinforce its presence in South Yorkshire by sponsoring a play at the Crucible Theatre and an exhibition at the Ruskin Gallery, Sheffield. The airport may only be half the size of Birmingham but it is twice that of Leeds/Bradford, and it intends to maintain the difference.

Robert Waterhouse

With only minor improvements the airport will handle 2m passengers a year, with a possible expansion to 7m by 2000 on the cards

a 29 per cent increase to 20,500 tonnes, with a further 7,975 tonnes of mail.

East Midlands, confirmed as the Post Office's central hub, operates 18 flights nightly, in and out after sorting. Last November, Sir Bryan Nicholson, chairman of the Post Office, opened a £1.26m postal sorting building, subject of a unique 10-year agreement



St Martin's Square shopping centre in Leicester: the authorities see such facilities as a big factor in boosting regional tourism

ROADS

From excellent to very poor

IF communications are the food of economic prosperity there is no reason why Leicestershire's business community should not be banqueting. The menu is impressive enough as things stand, and the White Paper of May 1989 promises further main road dishes.

Most routes through the county tend to go north-south, which can make cross-country work interesting. But useful connections include the M69 linking Leicester to Coventry and the prospect of the M42 tying Birmingham to Castle Donington and Nottingham.

British Rail runs 125 passenger services every half hour to Leicester from St Pancras,

while the electrified East Coast route grazes the county north of Stamford.

The Kings Cross-Peterborough service has made the eastern part of Leicestershire a speedy, if increasingly costly, commute.

It has been instrumental in raising house prices in and around the pretty Rutland town. As an alternative, the A1 runs in parallel.

East-west roads vary from the excellent to the poor. Some, like the A47 Leicester-Peterborough route, are much-improved but still often tedious and environmentally intrusive.

One problem facing highway engineers is that the River Soar runs north-south through the county with a scarcity of

bridge crossings. Historically, it has brought Leicester prosperity by funneling traffic onto the city's bridges.

Nowadays Leicester is handling traffic which it could do without, and the county council's recent Transport Policies and Programme (TFP) for 1990-91 includes a new river crossing for Leicester's intermediate ring road.

Among the more significant East Midlands proposals affecting Leicestershire in the White Paper include widening the M1 to four lanes in each direction, an eastern-bypass for Leicester and improvements on the A6 and the A47. Communications from East Midlands International Airport to Staffordshire will be helped by the new A564 route.

Within the county Leicestershire bid to spend some £17m in the coming year on improvements or extensions to non-trunked roads. Just over half of this bid was accepted by the Transport Secretary, with almost £2m worth eligible for transport supplementary grant.

Disappointing though this is to highway proponents it should be seen in the context of public transport. The county council is giving just £1.2m, plus concessionary fare support of £2.1m, for bus revenues in the present year.

A reinstated rail service between Leicester and Burton-on-Trent is to be extended to Derby past the Toyota plant. Of 16 new stations, 14 will be in Leicestershire. Works are budgeted at just under £2m this year, compared with £16.5m for highways maintenance.

However, Leicestershire has a road repair problem heightened by increasing traffic volumes, often on highways not designed to take the loads they now do.

A survey carried out during March as part of a national assessment showed that millions of pounds over and above what could be claimed was needed to bring structural maintenance of roads and footways to acceptable standards.

Additionally, cyclists and motorcyclists must contend with above-average wheel track rutting. The county council believes this is a trend likely to get worse. Provision of cycleways in and around Leicester is planned to take just £30,000 from this year's budget.


Leicester has a city centre action programme intended to extend pedestrianisation and restrict unnecessary cross-town journeys by improving the central relief road.

Flow of traffic through the

city's streets is now controlled by a remote system called Scoot - split cycle and offset optimisation technique. This reduces delays and improves journey times.

Information available to the nerve centre also includes details of car park spaces. So next time you attempt to leave your vehicle in a full Leicester car park remember - someone could be tracking you!

Robert Waterhouse



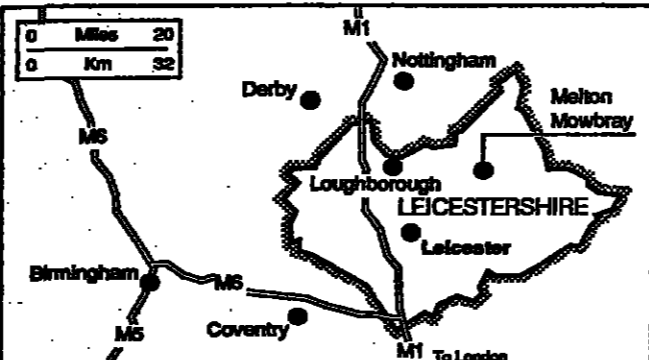
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INSURANCES

Table listing various insurance policies and their details.

Main table of unit trusts, organized into columns by provider or category, including details like 'Unit Name', 'Price', 'Yield', and 'Risk Rating'.

Continued on next page

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GUERNSEY (**)

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Main table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections like 'ISLE OF MAN', 'LUXEMBOURG', and 'OTHER OFFSHORE FUNDS'.

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Main table of London Share Service, listing various share investments with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections like 'BRITISH FUNDS', 'CORPORATION LOANS', 'COMMONWEALTH & AFRICAN LOANS', and 'MONEY MARKET BANK ACCOUNTS'.

Handwritten note: 'No. 101/1012'

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Table of share prices for banks, hire purchase, and leasing companies.

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Table of share prices for hire purchase and leasing companies.

BEERS, WINES & SPIRITS

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Table of share prices for building, timber, and road companies.

BUILDING, TIMBER, ROADS Contd

Continuation of building, timber, and road share prices.

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Table of share prices for chemical and plastic companies.

DRAPERY AND STORES

Table of share prices for drapery and store companies.

DRAPERY AND STORES Contd

Continuation of drapery and store share prices.

BEERS, WINES & SPIRITS Contd

Continuation of beer, wine, and spirit share prices.

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Continuation of building, timber, and road share prices.

DRAPERY AND STORES - Contd

Continuation of drapery and store share prices.

ELECTRICALS

Table of share prices for electrical companies.

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Continuation of drapery and store share prices.

DRAPERY AND STORES Contd

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Continuation of engineering share prices.

ENGINEERING - Contd

Continuation of engineering share prices.

ENGINEERING - Contd

Continuation of engineering share prices.

ENGINEERING - Contd

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ENGINEERING - Contd

Continuation of engineering share prices.

ENGINEERING - Contd

Continuation of engineering share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

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Continuation of industrial share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial share prices.

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hollyholly

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0536 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

LEISURE

Table of Leisure stocks including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Newsprint, Advertising, etc.

TEXTILES - Contd

Table of Textiles stocks including Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil and Gas, etc.

MINES - Contd

Table of Mines stocks including Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including Motors, Aircraft, etc.

PROPERTY

Table of Property stocks including Property, etc.

TOBACCO

Table of Tobacco stocks including Tobacco, etc.

TRANSPORT

Table of Transport stocks including Transport, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas Traders, etc.

THIRD MARKET

Table of Third Market stocks including Third Market, etc.

Commercial Vehicles

Table of Commercial Vehicles stocks including Commercial Vehicles, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

Investment Trusts

Table of Investment Trusts stocks including Investment Trusts, etc.

FINANCE, LAND, ETC

Table of Finance, Land, Etc stocks including Finance, Land, Etc, etc.

PLANTATIONS

Table of Plantations stocks including Plantations, etc.

MINES

Table of Mines stocks including Mines, etc.

Garages and Distributors

Table of Garages and Distributors stocks including Garages and Distributors, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes and Leather, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

FINANCE, LAND, ETC

Table of Finance, Land, Etc stocks including Finance, Land, Etc, etc.

PLANTATIONS

Table of Plantations stocks including Plantations, etc.

MINES

Table of Mines stocks including Mines, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including Newspapers, Publishers, etc.

SOUTH AFRICANS

Table of South Africans stocks including South Africans, etc.

TEXTILES

Table of Textiles stocks including Textiles, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil and Gas, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas Traders, etc.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including Regional & Irish Stocks, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes and Leather, etc.

TEXTILES

Table of Textiles stocks including Textiles, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil and Gas, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas Traders, etc.

TRADITIONAL OPTIONS

Table of Traditional Options including Traditional Options, etc.

Stock Exchange dealing classifications are indicated to the right of security names. A Alpha B Beta Gamma Delta E F G H I J K L M N O P Q R S T U V W X Y Z AA AB AC AD AE AF AG AH AI AJ AK AL AM AN AO AP AQ AR AS AT AU AV AW AX AY AZ BA BB BC BD BE BF BG BH BI BJ BK BL BM BN BO BP BQ BR BS BT BU BV BW BX BY BZ CA CB CC CD CE CF CG CH CI CJ CK CL CM CN CO CP CQ CR CS CT CU CV CW CX CY CZ DA DB DC DE DF DG DH DI DJ DK DL DM DN DO DP DQ DR DS DT DU DV DW DX DY DZ EA EB EC ED EE EF EG EH EI EJ EK EL EM EN EO EP EQ ER ES ET EU EV EW EX EY EZ FA FB FC FD FE FF FG FH FI FJ FK FL FM FN FO FP FQ FR FS FT FU FV FW FX FY FZ GA GB GC GD GE GF GG GH GI GJ GK GL GM GN GO GP GQ GR GS GT GU GV GW GX GY GZ HA HB HC HD HE HF HG HH HI HJ HK HL HM HN HO HP HQ HR HS HT HU HV HW HX HY HZ IA IB IC ID IE IF IG IH II IJ IK IL IM IN IO IP IQ IR IS IT IU IV IW IX IY IZ JA JB JC JD JE JF JG JH JI JJ JK JL JM JN JO JP JQ JR JS JT JU JV JW JX JY JZ KA KB KC KD KE KF KG KH KI KJ KL KM KN KO KP KQ KR KS KT KU KV KW KX KY KZ LA LB LC LD LE LF LG LH LI LJ LK LL LM LN LO LP LQ LR LS LT LU LV LW LX LY LZ MA MB MC MD ME MF MG MH MI MJ MK ML MN MO MP MQ MR MS MT MU MV MW MX MY MZ NA NB NC ND NE NF NG NH NI NJ NK NL NM NO NP NQ NR NS NT NU NV NW NX NY NZ OA OB OC OD OE OF OG OH OI OJ OK OL OM ON OO OP OQ OR OS OT OU OV OW OX OY OZ PA PB PC PD PE PF PG PH PI PJ PK PL PM PN PO PP PQ PR PS PT PU PV PW PX PY PZ QA QB QC QD QE QF QG QH QI QJ QK QL QM QN QO QP QQ QR QS QT QU QV QW QX QY QZ RA RB RC RD RE RF RG RH RI RJ RK RL RM RN RO RP RQ RR RS RT RU RV RW RX RY RZ SA SB SC SD SE SF SG SH SI SJ SK SL SM SN SO SP SQ SR SS ST SU SV SW SX SY SZ TA TB TC TD TE TF TG TH TI TJ TK TL TM TN TO TP TQ TR TS TT TU TV TW TX TY TZ UA UB UC UD UE UF UG UH UI UJ UK UL UM UN UO UP UQ UR US UT UV UW UX UY UZ VA VB VC VD VE VF VG VH VI VJ VK VL VM VN VO VP VQ VR VS VT VU VW VX VY VZ WA WB WC WD WE WF WG WH WI WJ WK WL WM WN WO WP WQ WR WS WT WU WV WW WX WY WZ XA XB XC XD XE XF XG XH XI XJ XK XL XM XN XO XP XQ XR XS XT XU XV XW XX XY XZ YA YB YC YD YE YF YG YH YI YJ YK YL YM YN YO YP YQ YR YS YT YU YV YW YX YY YZ ZA ZB ZC ZD ZE ZF ZG ZH ZI ZJ ZK ZL ZM ZN ZO ZP ZQ ZR ZS ZT ZU ZV ZW ZX ZY ZZ

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Does the Fed want a weaker dollar?

SUPER FRIDAY - with its host of US statistics - is now behind us and has left the market asking: What does this tell us about the dollar, apart from the obvious short term answer that the currency is strong?

On publication of the trade figures for July the dollar immediately broke through resistance at DM1.9780 and threatened to establish a new trading range above DM2.00.

Before the figures were announced the market was asking whether support at DM1.9540 and DM1.9400 would hold, but soon after publication the dollar was above DM2.00, even after - and some traders said because of - co-ordinated central bank intervention.

It looked as though the dollar might be running out of steam in the high DM1.99's and was drifting back when the central banks came in to sell at DM1.9500. This pushed the currency a little lower, where the market decided it was a good opportunity to pick up cheap dollars, creating the

impetus to surge through DM2.00. The trade figures were unambiguously good, allowing the market to shrug off the implications of a slowing economy and an unexpected fall in the August Producer Price Index (PPI).

First glance at the PPI suggested inflation is not a problem, and the Federal Reserve could be tempted to ease its monetary stance, but a second look shows a very different picture. The headline PPI figure fell 0.4 per cent, but stripping out food and energy prices it rose 0.5 per cent.

Other statistics tend to confirm this. August industrial production rose 0.3 per cent, against forecasts of 0.2 per cent, and a revised gain of 0.1 per cent in July. Stronger than expected production was coupled with a higher than forecast level of capacity utilisation, suggesting that US industry is ticking over at a healthy rate and does not require the stimulus of lower interest rates.

We appear to have a situation where the trade position has improved, the economy is doing rather better than expected and there is no reason to be complacent about inflation. August US consumer prices will be published tomorrow and the year-on-year rate will probably remain around 5.0 per cent, although some optimists are looking for a figure as low as 4.7 per cent.

This poses the question of what do the central banks do next? Tokyo was closed on Friday for a public holiday, but the Bank of Japan kept up relentless dollar sales during the rest of the week. This succeeded at one time in getting the dollar below Y146.00 and appeared to be aimed at insuring there was no threat of Y150.00 even if the US figures were good. In the event, this proved a successful strategy, but it would not be surprising if the Bank of Japan continues to run down its reserves this week.

Other central banks - 12 were involved on Friday - may feel a similar need, but with the US economy apparently performing so well there are some in the market who feel that the Fed has no strong reason to push the dollar down. If this is so it could lead to some interesting discussions at the Group of Seven/IMF meetings in Washington, beginning next weekend.

Colin Millham

Table with columns: Sep.15, Close, Previous Close. Rows include Euro, 1 month, 3 months, 12 months.

Table with columns: Sep.15, Sep.15, Forward. Rows include Sterling, 90 days, 180 days, 360 days.

Table with columns: Sep.15, Short term, 7 days notice, One month, Three months, Six months, One year.

Table with columns: Sep.15, Sep.15, Change. Rows include Argentina, Brazil, Canada, etc.

Table with columns: Sep.15, Sep.15, Change. Rows include US, Canada, UK, etc.

Table with columns: Sep.15, Sep.15, Change. Rows include UK, Germany, France, etc.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns: NATIONAL AND REGIONAL MARKETS, FRIDAY SEPTEMBER 15 1989, THURSDAY SEPTEMBER 14 1989, DOLLAR INDEX.

Base values: Dec 31, 1988 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

EURO-CURRENCY INTEREST RATES

Table with columns: Sep.15, Short term, 7 days notice, One month, Three months, Six months, One year.

EXCHANGE CROSS RATES

Table with columns: Sep.15, £, \$, DM, FF, S Fr., H Fl., Lira, C\$, B Fr.

POUND SPOT-FORWARD AGAINST THE POUND

Table with columns: Sep.15, Sep.15, One month, Three months, Six months, One year.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns: Sep.15, Sep.15, One month, Three months, Six months, One year.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Last, Val, Last, Val, Last, Stock.

BASE LENDING RATES

Table with columns: Bank, Rate, Bank, Rate, Bank, Rate.

MONEY MARKETS

Frankfurt expects higher rates

IF IT can now be assumed that the US Federal Reserve will relax its monetary stance in the near future and that countries like Britain, Italy and Spain will continue to operate high interest rate policies it tends to increase the problems of strong economies with low interest rates, such as West Germany and Japan.

Table with columns: Sep.15, Sep.15, Change. Rows include Treasury Bills, Interbank Offer, etc.

FT LONDON INTERBANK FIXING

Table with columns: 11.00 a.m. Sep.15, 3 months US Dollars, 6 months US Dollars.

MONEY RATES

Table with columns: Sep.15, Sep.15, Change. Rows include Treasury Bills, Interbank Offer, etc.

LONDON RECENT ISSUES

Table with columns: Issue, Price, Yield, Issue, Price, Yield.

FIXED INTEREST STOCKS

Table with columns: Issue, Price, Yield, Issue, Price, Yield.

RIGHTS OFFERS

Table with columns: Issue, Price, Yield, Issue, Price, Yield.

JOTTER PAD

Table with columns: Issue, Price, Yield, Issue, Price, Yield.

CROSSWORD

Crossword puzzle grid with clues.

GRANVILLE SPONSORED SECURITIES table with columns: Capitalisation, Company, Price, Change, Div Yield, P/E.

BANK OF ENGLAND TREASURY BILL TENDER table with columns: Bills on offer, Total of applications, etc.

WEEKLY CHANGE IN WORLD INTEREST RATES table with columns: LONDON, NEW YORK, TOKYO, BRUSSELS, AMSTERDAM.

Crossword puzzle grid with clues and a JOTTER PAD.

WORLD STOCK MARKETS

Handwritten note: 'Wol, no 1120'

Table of stock market data for Australia, France, Germany, Italy, Japan, and the UK. Columns include country, stock name, price, and change.

Table of stock market data for Canada, including Toronto and Montreal markets. Columns include stock name, price, and change.

Table of stock market indices for New York, Tokyo, and other major markets. Columns include index name, value, and change.

Table of stock market data for Canada, including Toronto and Montreal markets. Columns include stock name, price, and change.

Table of stock market data for Tokyo, listing various Japanese stocks. Columns include stock name, price, and change.

Advertisement for 'FT hand delivered in Belgium' featuring a graphic of a light bulb and text about international business news.

4pm prices September 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock names, prices, and changes.

Microwave Ovens Easy to use, Reasonable to buy... SAMSUNG Electronics advertisement.

Continued on Page 43

Handwritten note: "Hoffmiller"

NYSE COMPOSITE PRICES

OVER-THE-COUNTER

Nasdaq national market, 4pm prices September 15

Main table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

Main table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

September 15

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

Advertisement for F.T. hand delivered, featuring the Copenhagen logo and contact information.

THE MONDAY INTERVIEW

The man who let the East Germans go

The Business Column

Reciprocity and the art of the deal

One by-product of Europe's current binge of cross-border mergers and acquisitions has been to focus attention on the vexed question of take-over reciprocity. British businessmen, eyeing the array of bid-proofing devices sheltering publicly quoted companies elsewhere in Europe, have been quick to cry foul. Why, they complain, should continental companies be free to mount hostile bids against us, when we can't do the same to them?

Hunting ground

Even if there were no bid-proofing there, German stock exchanges would offer relatively limited opportunities for acquisition. Only about 600 companies are quoted on them, a third the number of UK firms listed in London, while their capitalisation is equivalent to only a fifth of gross domestic product, compared with more than four fifths in the UK.

Signs of change

When German manufacturers have invested abroad, they have often preferred to do so by setting up greenfield plants. Several widely publicised problem acquisitions, such as Thyssen's take-over a decade ago of Breda, the US engineering group, have underlined the risks of buying a going concern.

Guy de Jonquieres

If the opinions of ordinary Hungarians are anything to go by, Mr Gyula Horn is expected to win a seat in the country's first free elections since 1947. A month ago, such predictions would have been impossible. To many Hungarians, Mr Horn was a relatively unknown quantity.

PERSONAL FILE

- 1932 Born, Budapest
1946-49 Mechanic at Siemens factory in Budapest
1950-54 Studied economics at Rostov-on-Don, Soviet Union
1954-59 Hungarian Finance Ministry, later moved to the Foreign Ministry
1961-64 Diplomat in Bulgaria
1963-69 Diplomat in Yugoslavia
1969-85 International department at the Central Committee
1985 Elected to Central Committee
1989 Foreign Minister

May, Hungarian diplomats deal only with the Foreign Ministry. The international department now deals only with relations with other communist or socialist parties.

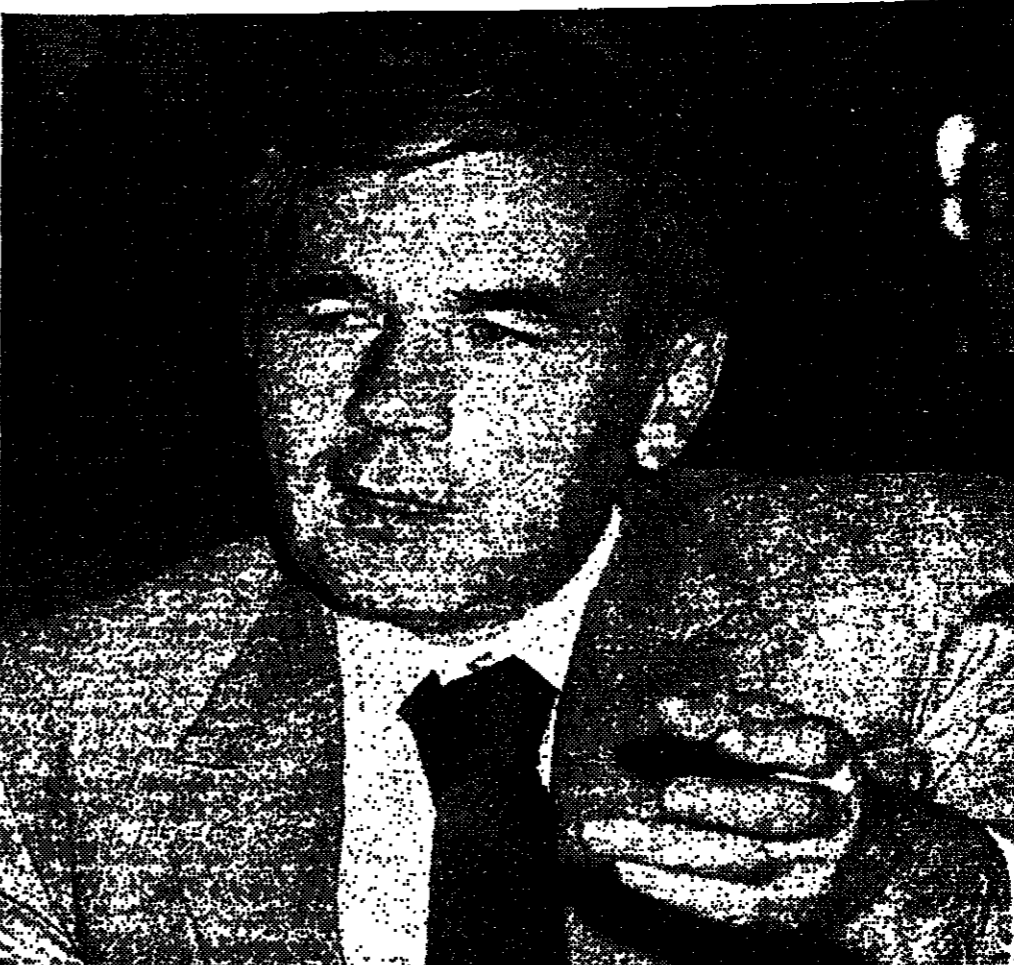
Gyula Horn, Hungary's reform-minded foreign minister, talks to Judy Dempsey

leeway in moving Hungary's foreign policy towards the West. During the 1970s and early 1980s, a group of young party members - in fact Mr Horn and his two present deputies - were working at that department. It was there that decisions were made to improve relations with China, Israel, Italy and its human rights record and open up contacts with South Korea.

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'We had no choice . . . there was no other way'

to Europe after 1945. Our traditional links with Europe were broken. Confrontation prevailed over peaceful co-existence. For him, the "common European house" is a theme which crops up repeatedly in Mr Gorbachev's foreign policy speeches, is now of crucial importance.

ing, given its deteriorating economy. It is saddled with a hard currency debt of \$18bn, sluggish productivity and an industrial infrastructure in urgent need of modernisation. Mr Horn hopes that the economic reforms will be enough of an incentive to attract western investors. "They can make profits here," he says. But he knows that more is needed to revive the economy.

day when the EC will develop a cogent policy towards Eastern Europe. In particular, he would advocate:
- More cooperation between the EC and Hungary on technological transfer
- A pan-European environmental policy
- An EC programme for education and training of Hungarian specialists
- A move towards convertibility of the Hungarian forint, possibly through cooperation with the European Investment Bank
- A free trade agreement with the EC.

planning to invest in Hungary that Hungary will remain stable after the next elections? To guarantee continuity in foreign policy, Mr Horn has set up a special department at the ministry to hold regular discussions with the main opposition groups which will be standing in the elections.

"There are few real differences" he says. "Remaining in the Warsaw Pact is not an issue. No matter which party assumes power, they all think that there is no other way for Hungary except to go along the present road."

In fact, so detailed are the talks that a recent session between the ministry and the opposition involved a discussion on how Hungary's representative at the United Nations General Assembly should be chosen after a new government is elected.

Mr Horn goes further. He wants the anti-reformers ousted. "It would be a tragedy if the party continues to carry anti-reform forces along, as it has done in the past. If the congress does not make this decision, the party will gain no confidence from society."

But as for his own future, he keeps his cards close to his chest. "I just want the best for Hungary." And what would happen if he were not elected to Parliament? "Well, I am a good writer, I am an economist. I don't think I would be out of a job."

Judging society's perception of risk

Dangerousness in society is always a dangerous subject for anyone to write or talk about. Two unconnected events last week, however, aroused such widespread and agitated public discussion that comment on the variety of ways in which, in a modern society, people are at risk of suffering grave harm is inescapable. Dangerousness needs to be put into some social perspective.



JUSTINIAN

The first event was the revelation of a return by a team of probation officers which was highly critical of a special unit run by the staff at Wormwood Scrubs to deal with sexual offenders.

At the heart of the controversy over dangerous behaviour is the ambiguous notion of justifiable public alarm

with protection from other prisoners while he is in prison. The rapist is classed by prisoners as a sex offender only if his victim was a child, and the term "child" is limited to a pre-pubescent girl. Young girls, even of 13 or 14, are regarded outside the ambit of prisoner hostility if they are sexually mature and hence invites sexual assault.

with no greater success than such treatment has generally had outside prison. Indeed, the necessary removal of serious sex offenders from ordinary society presents additional problems associated with isolation in total institutions such as prison.

The public should applaud the efforts of prison, special hospitals (such as Broadmoor) and health service regional secure units to cope with these numerically small but socially worrying serious sexual offenders.

The release of these and other known violent offenders into the community lay behind the public disquiet at the fatal shooting of a senior police officer from the Greater Manchester police force.

The response from a rational society to violent human behaviour is, therefore, to pursue broadly based social policies, directed against social practices or other features of the social and material environment which are shown to encourage or promote gravely harmful behaviour.

At the heart of the controversy over dangerous behaviour is the ambiguous notion of justifiable public alarm. What risk must be accepted as the normal conditions of life in our kind of society?

If there is a really general acceptance of a risk, nobody can be said to be wronged by a failure to remove that risk

placed. The essential problem is that there is little objectivity in perceptions of danger. It is a question of what society is prepared to put up with and why, and not simply to what is damaging to them.

Dangers are unacceptable risks. The probability and severity of such harm is a risk. Danger is the point at which the risk become unacceptable and calls for preventive measures by government.

Advertisement for Lilley bid for Tilbury. Includes headline 'THE LILLEY BID FOR TILBURY CLOSES AT 1.00 p.m. WEDNESDAY 20 SEPTEMBER 1989', a table of values, and the slogan 'YOU CAN SELL YOUR TILBURY SHARES TODAY FOR 660p'. It also features the Lilley logo and the slogan 'THE FUTURE UNDER CONSTRUCTION'.